IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

See Vol. 3788

TEMPLETON PATENTS, LTD., *Plantiff-Appellant,* vs. J. R. SIMPLOT COMPANY, *Defendant-Appellee.*	No. 18899
TEMPLETON PATENTS, LTD., *Plaintiff-Appellant,* vs. J. R. SIMPLOT COMPANY, *Defendant-Appellee.*	No. 18900

FILE

APPELLANTS MAIN BRIEF

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TABLE OF CONTENTS

APPENDIX

TABLE OF CASES

STATUTES

MISCELLANEOUS

PREFATORY NOTE

This Brief has been prepared pursuant to the permission of Rule 18(6). It deals with two appeals, one from an adverse judgment in a civil action presenting the purely Federal question of patent infringement and the other from an adverse judgment in a second civil action involving the same parties, inventions, and events presenting the non-Federal question of the existence of an enforceable licensee or quasi-licensee relation. Pursuant to leave of this Court, appellant presents a single brief in both appeals in which the indices [Rule 18(2)(a)], statement of the case [Rule 18(2)(c)], specification of errors [Rule 18(2)(d)], exhibits table [Rule 18(2)(f)], and certificate [Rule 18(2)(g)] are common to both appeals, but the arguments [Rule 18(2)(e)] are separately summarized and set out. Pursuant to permission granted, this Brief, will exceed 80 pages in length [Rule 18(2)(e)], but will fall substantially short of the 160 pages that would have been allowable without leave had the appeals been wholly separately briefed and argued.

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BRIEF FOR APPELLANT

Statement of Jurisdiction

These are appeals from judgments adverse to the plaintiff in two civil actions in the United States District Court for the District of Idaho which, by permission, have been combined for hearing in this Court as was done below. As explained in the "Prefatory Note", supra, this Brief covers both appeals.

Plaintiff is a British corporation, the owner of the three patents in suit, No. 2,119,155 (the "Faitelowitz patent"), No. 2,352,670 (the "Volpert patent"), and No. 2,520,891 (the "Rivoche patent"). Defendant is a Nevada corporation domiciled in Idaho, charged with having processed potatoes in accordance with inventions covered by certain claims of each of these patents to produce the dehydrated powdered product popularly called "instant mashed potato".

Civil Action 3514 (the "Patent Case"), here No. 18899, was

an ordinary patent infringement action. Trial was of the issues of validity and infringement framed by the Second Amended Complaint, filed October 14, 1959 (99 R 6)*, the Answer thereto and Counterclaim (99 R 11), filed June 29, 1961, and the Reply, filed July 6, 1961 (99 R 29). Jurisdiction of the District Court was based on 28 U.S.C. § 1338(a).

Civil Action 3574 (the "Contract Case"), here No. 18900, was an action for an accounting for damages in excess of $10,000, exclusive of interest and costs, arising from breach of an enforceable relationship between the parties amounting to a license (or at least a quasi license) with respect to the inventions of the patents involved. Trial was of the issues framed by the Complaint, filed February 1, 1960 (00 R 1), and the Answer, filed September 19, 1960 (00 R 11). Jurisdiction of the District Court was based on the diversity of citizenship of the parties and the amount in controversy, 28 U.S.C. § 1332(a)(2).

The Honorable Fred M. Taylor, District Judge, entered a final judgment on May 24, 1963 in each case (99 R 117; 00 R 52) dismissing the complaint therein and in the Patent Case, granting defendant below certain injunctive relief sought by it. Notices of appeal pursuant to Rule 73, F. R. Civ. P., were filed on June 20, 1963 (99 R 119; 00 R 54). Jurisdiction of this Court is based on 28 U.S.C. § 1291.

Statement of the Case

There is, in appellant's view, no better existing statement of the essential facts of these cases than that made by Judge Taylor at the outset of his Memorandum Opinion (99 R 69-75). Appellant here sets

* Citations to the records herein will be made in these forms: To the Record in No. 18899 - (99 R 11); To the Record in No. 18900 - (00 R 11); To the Reporter's Transcript - (T 11).

out this statement totidem verbis, with minor elaboration noted, and, as so quoted adopts it. The full significance of these essential facts will be explained in the argument that follows.

"[99 R 69] Plaintiff is a British corporation and is owned principally by Robert A. S. Templeton and his wife. Templeton is the chairman of the board and its managing director. Defendant is a corporation of the State of Nevada and has a principal place of business in the City of Boise, State of Idaho. This Court has jurisdiction under Sections 1332, 1338(a) and 1400(b), Title 28, U.S.C.A.

"The facts and circumstances of the two lawsuits are closely related. Each suit involves a process for making a dehydrated potato powder which will, when combined with warm milk or water, readily reconstitute into a palatable dish of mashed potatoes comparable with that made by the common method using the fresh raw potato. Defendant is one of the leading manufacturers of this product in the United States. Plaintiff is the owner of three patents, each of which discloses a process for making said product, and it contends that the defendant's process infringes certain claims of each patent: namely, claims 1, 2, 4, 5, 6, 7 and 8 of United States Patent No. 2,119,155, issued to Arnold Faitelowitz and Marcos Bunimovitch on May 31, 1938; claims 3 and 7 of United States Patent No. 2,352,670, issued to Zelmanas Volpertas on July 4, 1944; and claims 16 and 17 of United States Patent No. 2,520,891, issued to Eugene Joel Rivoche on August 29, 1950.

"The evidence discloses that prior to the discoveries represented by the above patents the world had a long-felt need for a process which would produce an instant mash potato powder. Both World Wars especially created a demand for this dehydrated product [99 R 70] as well as others. Its minimum bulk and keeping properties

make it suitable for storage and, yet when combined with warm milk or water it instantly makes an acceptable food. The common potato is particularly adaptable for such a product because it contains approximately 80 per cent water by weight and 20 per cent solids, primarily starch. Many inventors recognized this fact, but until the 1930's none had been able to discover a process which would produce an acceptable food. Prior thereto inventors had been able to discover processes only for drying potato pieces or strips, or for making potato flour which could be used indirectly in the preparation of foods. However, in attempting to develop an instant mash potato product, two problems always plagued them: first, they had to prevent the starch cells from rupturing while being processed, or otherwise the reconstituted product would be pasty and unpalatable; second, they had to overcome scorching or, in other words, prevent the outer layer cells from hardening when drying, in order to render them reconstitutable when combined with warm milk or water. This is sometimes referred to as 'case-hardening'.

"The first substantial contribution to the art of processing an instant mash potato powder was made by Arnold Faitelowitz, in Paris, France, in the 1930's. He discovered that the starch cells of most starch-containing vegetables could be separated without rupturing them if the vegetable was first partially dried to a moist powder [, specifically to one] which had lost at the most about 60 per cent by weight of its original water content [,] before it was put through a second drying stage to reduce it to an acceptable product containing [99 R 71] only 10 to 15 per cent of its original water content. Each of said drying stages was accomplished by means of heat applied to the cooked vegetable, which had been cut into small pieces. Faitelowitz applied for a patent in Great Britain on June 10, 1936, which application serves as the basis for his United

States patent.

"Both parties admit that the Faitelowitz process is somewhat crude and difficult to perform. Unless the drying stages are conducted very skillfully, the heat causes case-hardening. As a result his process has never been used for commercial production anywhere in the world. However, it served as the basic idea for the successful processes which followed after his initial breakthrough.

"Volpertas and Rivoche were associated with Faitelowitz in France. Volpertas determined that the initial drying stage of the Faitelowitz process [producing the requisite moist powder] could be accomplished merely by adding some of the fully dried product to the cooked potatoes and allowing absorption to take place to reduce the [average] moisture content of the entire mixture. When the moisture content equalized it could then be further dried by the application of heat. By this means the risk of case-hardening was substantially decreased because drying by heat during the first stage of the process was eliminated, making the entire process more economical, less difficult to perform and more certain to produce an acceptable product. Volpertas' improvement on the Faitelowitz process is referred to herein as the add-back method or step. This method is old in the art of food dehydration, but Volpertas was the first to [99 R 72] apply it to a process for making an instant mash potato powder. Volpertas, whose name is now Zelman Volpert, applied for a patent in Great Britain on October 14, 1937, which application serves as the basis for his United States patent. His patented process will be more fully examined hereinafter.

"Rivoche is given credit for an improvement which prescribes limitations within which the Volpertas process can always be

successfully performed. Whereas Volpertas teaches that the add-back method should be used in the first drying stage until the moisture content of the mixture has been reduced by about one-half, Rivoche teaches that said method should be employed until the mixture contains not more than about one-half of its original moisture content. When the initial drying stage is conducted to that point or below, the then moist powder can be dried by heat without substantial risk of case-hardening. The British application which serves as the basis for Rivoche's United States patent was filed on September 16, 1939.

"These processes were first introduced to Templeton by Rivoche in Great Britain in 1939. For several years Templeton had been interested in the vegetable drying industry and had made studies in Europe to determine if a successful process for manufacturing an instant mash potato powder had been discovered. Rivoche was the first to show him an acceptable product and to disclose a feasible process for making the same. A year later Templeton obtained exclusive licenses to the processes in question in behalf of Farmers' Marketing & Supply Company, plaintiff's predecessor. During World War II an instant [99 R 73] mash potato drying industry arose in Great Britain based upon these same or similar processes.

"Meanwhile in the United States the defendant was engaged in fruitless efforts to discover or obtain a successful process to fill the needs of our government. Defendant met with no success despite the fact that it had adequate facilities, finances, and skilled men in the art. Its expert witness, Ray W. Kueneman, had been employed by the Department of Agriculture during World War II. He had visited dehydration plants abroad to gather information for our government, and had seen and made diagrams of plant operations in Great Britain which were using processes

similar to the ones in suit. After the war the defendant employed his services, but for the next five years a successful process still eluded it. Templeton visited the United States in 1945 and became acquainted with defendant's efforts. Defendant's officers professed an interest in plaintiff's processes; however, at this time plaintiff had not perfected its rights thereto in this country.

"Templeton returned to the United States in 1949. Having acquired to his satisfaction the exclusive world-wide rights to the above processes, he made another visit to the State of Idaho to confer with the officials of the defendant company. They expressed an interest in joining forces to develop the product in this country. On March 4, 1949, Templeton conducted a series of demonstrations at the defendant's plant in Caldwell, Idaho, during which he disclosed what he considered to be the basic teachings of the patents in suit. The record discloses that defendant was highly impressed by, and interested in, the processes. The [99 R 74] parties reached an informal understanding in regard to developing the processes and the industry in this country, which was to be formalized later subject to the approval of their respective legal counsel. The terms of said agreement were left to future negotiations which, as events transpired, were very extended, and the parties ultimately failed to reach an understanding. The nature and extent of their dealings is more pertinent to plaintiff's contract action. Suffice it to say here that while said negotiations were being conducted the Korean War occurred and defendant went into production to help fill the needs of our government. Defendant made no attempt at the trial to explain this sudden transition from failure to success in processing an instant mash potato powder. The conclusion is inescapable that it adopted the teachings of said patents for its own operations.

"The parties are in substantial agreement on what defendant's process is, and has been, since it began production. Its process is illustrated by Plaintiff's Exhibits No. 6 and No. 14, each of which was thoroughly explained by witness Ray W. Kueneman, director of research and development for the food processing division of the defendant company. It uses the Faitelowitz two-stage drying principle, but instead of drying by heat in the first stage as Faitelowitz teaches, defendant uses the add-back method. By this method defendant has always reduced the moisture content of the mixture to between 30 and 40 per cent before beginning the second drying stage. Defendant conducts the second drying stage by means of heat, or a stream of hot air, using dryers which [99 R 75] operate under a slightly subatmospheric pressure. This drying system reduces the moisture content of the mixture to approximately 12 to 14 per cent. Thereafter the moist powder is sifted and put through another system which reduces it to a finished product containing not more than about 6 to 7 per cent of its original moisture."

Specification of Errors

1. The District Court erred in concluding that the Faitelowitz patent had not been infringed.

2. The District Court erred in concluding that the Volpertas patent had not been infringed.

3. The Court erred in concluding that the Rivoche patent was invalid.

4. The Court erred in concluding that the parties had not entered into a relationship the breach of which by defendant gave rise to an enforceable claim for damages.

5. The Court erred in concluding that the so-called "contract" action had been barred by laches and the Statute of Limitations.

Those Findings and Conclusions particularly involved in each Error specified are set forth in full in the Appendix to this Brief with the particular passages containing error underlined.

SUMMARY OF ARGUMENT

A. The "Contract Case": The Understanding Itself

The inventions involved are for processes for making instant mashed potato powder. They were made by Baltic refugees in Paris before and were developed in England during World War II. At the time the United States had only the relatively unsatisfactory prior art dehydrated potato products of which J. R. Simplot was a principal supplier. England was supplied by F. M. S. (plaintiff's affiliate) and Chivers which got competing patents. After the war, Chivers' U.S. subsidiary, R. T. French, began making the product here while defendant, its military market gone, made two unsuccessful attempts to enter the new civilian market. F. M. S., after litigation brought Chivers under license in England and Templeton came to the U.S., acquired the U.S. rights, and sought a suitable U.S. licensee. Simplot expressed interest and they met in Boise. Plaintiff was to license Simplot under its patent rights, teach Simplot its know-how, protect Simplot against infringement claims, and, for an optional consideration keep Simplot's position exclusive. Simplot was to pay a reasonable royalty. This understanding was oral and was to be memorialized in written terms approved by the respective patent attorneys. The trial court erred in finding this understanding not to be enforceable as a matter of law.

Templeton demonstrated important aspects of the licensed processes to Simplot employees; mailed back to Simplot a written precis of the understanding, the accuracy of which was never denied; and supplied his written recommendations for machinery, production, and sales policy. Technical information was exchanged for several months. The conduct of the parties belies defendant's denial that an understanding had been reached.

Defendant's patent attorney doubted the wisdom of his client's entering into the understanding, but expressed only one proper concern, namely, the effect of the vesting of one licensed patent in the Alien Property Custodian. That the consequences of the temporary defect in plaintiff's title to the licensed rights was negotiable under the terms of the understanding itself is shown by a later offered formal memorial signed by defendant.

Limitations and Laches. Defendant used plaintiff's title problem to avoid signing a memorial. Simplot repeatedly said he would sign when his patent attorney was satisfied and spoke of "our deal on granular patent". Meetings between the parties and between their counsel continued until after title had been perfected and to within the four year limitation period before filing suit. Thus as of February 1956, plaintiff's cause of action had not become complete. In plaintiff's view, the understanding became binding and enforceable in 1949, but plaintiff had not completely performed its part until 1956 and therefore its cause had not accrued until then.

B. The Patent Case: Faitelowitz

He disclosed and claimed a process for making dehydrated instant mashed potato powder in which the potato cells were unruptured and which produced the first product to be truly palatable. His method was to dry in two stages producing an intermediate product of a moist powder, by which the potato cells were effectively separated. Defendant cooks its potatoes and adds back to them already dried powder, mixing the dry granules and the wet potato to produce, by moisture transfer, the first stage of drying and the moist powder characteristic of Faitelowitz. The claim recites the first stage of drying as being done at less than a certain (scorch) temperature. The trial court erred in finding that this reference

to temperature required the claim to be limited to pre-drying by heat. Two-stage drying with the production of an intermediate moist powder is a patentable process, not a "principle", i.e., neither a law of nature nor a mere result (a palatable dehydrated potato).

Volpertas. The father of add-back. His claim 7 is clearly and literally infringed by defendant's operation. Volpertas, a co-worker of Faitelowitz, had several closely related proposals, all of which he filed applications on. The claims include but are not limited to the add-back proposal which is explicitly described in the specification.

Rivoche. After holding that certain language in Volpertas neither disclosed nor claimed add-back thus rendering the Volpertas claim not infringed, the trial court apparently reversed and found the Volpertas language sufficient to make Rivoche's improved add-back proposal obvious. This Court must resolve this inconsistency. No other disclosure makes Rivoche's moisture limitation obvious, and the industry after trying other approaches, has come to recognize the limitation as essential.

ARGUMENT

I. The "Contract Case"

Introduction

Appellant takes up the errors in the decision in the "Contract Case" first. It does so because the necessary review of the facts in that case is a review instructive on matters pertinent to the issues both of validity and infringement in the "Patent Case", while little of the Patent Case background question of the prior art or its foreground question of the sufficiency of the patents viewed as documents is helpful in considering the Contract Case.

Moreover, if appellant succeeds in the Contract Case, it establishes appellee as a licensee which has obvious bearing on the patent issues.

Scope of Review

The "Contract Case" was tried together with the "Patent Case" without any attempt to specify that witnesses or their testimony or the exhibits were relevant solely to one or the other controversy. The trial took up the better part of seventeen court days after which the Court received extensive briefs and rendered a comprehensive Memorandum Opinion (99 R 68). On essential facts there is so little difference between trial judge and plaintiff that plaintiff's Statement of the Case in this Court is the trial judge's own, with two minor elaborations. On the applicable law, there is a complete difference of view between trial judge and plaintiff. So complete is this difference that it is reflected in conclusory portions of the Findings of Fact adopted from a draft by defendant some two and a half months after the Memorandum Opinion. Nevertheless, Rule 52(a), F.R. Civ. P., has little bearing on the review of the judgment

in the Contract Case.

First, the trial judge expressly based his opinion on the correspondence* between the parties and gave no weight to testimony about events that had taken place up to 13 years earlier (00 R 46, Finding VII). This court may freely review his decision, Lundgren v. Freeman, 307 F. 2d 104 (9 Cir. 1962).

Second, the errors made turn so closely on the correct law to be applied that this appeal may be said to be governed by the rationale of a passage from this Court's opinion in Lundgren v. Freeman, supra, at page 113:

> "...an inference derived from the application from a [an assumed] legal standard and not derived from having had 'experience with the main springs of human conduct'".

That this ruling is applicable presently is clear from the opinion which

* All contained in Plaintiff's Exhibit 8.

In addition to the record, appellant has prepared two additional copies of certain exhibits designated by one or the other of the parties for the convenience of the Court. These extra copies are in three volumes of Plaintiff's Exhibits and three volumes of Defendant's Exhibits. The parties have numbered each page of each of these volumes with RED numbers, each volume being numbered separately. Many of the exhibits also bear BLACK numbers put on during the discovery period and these should be ignored. All citations to exhibits will be in the form: (PX 8, III-42). This means "Plaintiff's Exhibit 8, which will be found in Volume III of the bound extra copies of Plaintiff's Exhibits at page 42." Prior to the time the original exhibits are placed before the Court for consideration corresponding RED numbers will be placed on them so that the "42" will also refer to RED page number 42 of Exhibit 8 which is itself a binder of some 216 pages of letters and other items of inter-party correspondence.

presents the apparently anomalous result of "finding" that the parties reached an "understanding" in March 1949, but denying that an enforceable "agreement" was entered into. This result can only be explained on the basis that the trial judge believed that some assumed legal standard compelled him to rule that the understanding which his experience with the main springs of human conduct had led him to find had actually been reached did not amount to a legally enforceable agreement.

A. The Background Facts and Prior Contacts that Led to the Understanding

Both this Court and the courts of Idaho have ruled that the circumstances preceding a contract negotiation may be examined both to construe ambiguous terms and to determine the intent of the parties. Commodity Credit Corp. v. Rosenberg Bros. & Co., 243 F. 2d 504 (9 Cir. 1957); Rudeen v. Howell, 76 Idaho 365, 283 P. 2d 587 (1955). The historical and technical background of the potato drying industry and of the post-war potato drying industry will in large measure explain the intent and purpose of the present parties when they met at Boise to negotiate a license in March 1949.

Historical

As this Court undoubtedly would expect, the origin of potato drying is lost in antiquity (PX 32, II-149). However, as Judge Taylor found (99 R 97), the best dehydrated products produced by the 1930's were either unpalatable strips or potato flour usable as a food indirectly. The popularity of potatoes and the fact that in their natural state, raw or cooked, they contain about 80% water make them an ideal potential food to be usefully dehydrated. Recognition of this fact had created a want felt long before the First World War and the demand

was intensified by the Second World War.

Speed of rehydration is most important in establishing the utility of a dehydrated product. A product that is slow and difficult to rehydrate cannot be used in fast moving situations and may present special problems of refrigeration and sanitary handling. What was wanted was, in today's terminology, "instant mashed potato", a product that would reconstitute in moments and would have the taste and texture of freshly prepared potatoes, neither stale nor gummy. No success had been made until the breakthrough of the co-workers Faitelowitz, Volpertas and Rivoche (F-V-R) in Paris in the late 1930's.

In September 1939, Dr. Rivoche came to England and showed a sample of his powder (often called granules) to Mr. Templeton (T. 164). He had earlier been by the Potato Marketing Board, a governmental agency (T. 165) and even earlier had visited the British War Office (PX 11, tab. 40, III-296), leaving a sample and demonstrating its rehydration capabilities. Mr. Templeton's company subsequently acquired a license under the English patent rights of the three inventors (DX 16, I) and made potato granules using the F-V-R two-stage drying and add-back processes (T. 168). Meanwhile another English concern, Chivers & Company, had begun what became large scale manufacture of potato granules for the British Armed Services (T. 169). Their specific process was the work of their technical staff, including Theodore Rendle, who obtained a United States patent (DX 17, I-134).

Faitelowitz had obtained his United States patent in 1938 (PX 1, I-6). Volpertas had filed two United States applications, Volpertas I in 1938 and Volpertas II in 1939, and his U.S. patent issued in 1944 on a continuation-in-part application, Volpertas III, filed in 1942 (PX 2, I).

As Rivoche was in France during the war, his United States application was not filed until 1948, claiming, however, via the Boykin Act, his 1939 priority.

Late in 1945, Mr. Templeton first met defendant's President, Mr. J. R. Simplot. Templeton had come to the United States on an extended British Government mission to visit food processors (PX 8, III-10). He visited the Simplot plant at Caldwell, Idaho, and met several key technical personnel there, including the then food technician, Ray L. Dunlap (PX 8, III-12, 13).

J. R. Simplot Company had been one of the major suppliers of prior art forms of dehydrated potatoes for the United States Armed Services during World War II (PX 11, Tab 4). During his 1945 meeting with Templeton, Simplot expressed interest in granules and Templeton, who then had no United States rights, told him generally of the patent situation (PX 8, III-133). The situation at that time was that Chivers & Company and the Templeton interests were engaged in litigation over the priority of inventorship of the add-back process, the Chivers petition having been filed in England on November 22, 1945 (T. 775).

Apparently Mr. Simplot decided not to follow up his interest in the granule process at that time. His company was then engaged with others in developing a "freeze-squeeze" dehydration process (T. 1000). Although an edible dehydrated potato was produced, technical difficulties were apparently insurmountable and production ceased the following winter (PX 8, III-24).

That winter, 1947-1948, defendant began making a continuously dry extruded product called "minute potato". This product took longer to reconstitute and was more difficult to prepare than the granules here

involved. Mr. Dunlap in 1947 spoke highly of the product (PX 8, III-24), but within a year was writing Mr. Templeton that, "To date there is not on the market here any really good instant mashed potato and if things keep on it will be some time before they get going." (PX 8, III-31).

In 1947 Dunlap had informed Templeton that the R. T. French Company was producing a potato granule reputedly by the "Chivers" process (PX 8, III-22), and later asked (PX 8, III-25) whether anybody in the United States was producing potatoes according to Templeton's process. Mr. Templeton answered the latter question in the negative (PX 8, III-26).

In the spring of 1948, during the hearings of the English litigation, Chivers withdrew and took a license under the Faitelowitz-Volpertas-Rivoche patents (T. 678). It thus conceded that its technician Rendle was subsequent to Volpertas as to the Volpertas invention and the United States Patent Office found him subsequent to Rivoche in 1950 by awarding the latter two of Rendle's claims in substance, those presently in suit (PX 3, II-88-96).

The proposed Chivers license was subject to the approval of Messrs. Volpertas and Rivoche who were by then in the United States. Mr. Templeton came here to see them and while here negotiated for and acquired the worldwide rights under their patents, including the United States patents and applications (T. 676, 678; DX 16, I).

Also while here Templeton telephoned Simplot while the latter was in New York City and told him about the newly acquired United States rights. Simplot apparently reaffirmed his interest in the United States patents (PX 8, III-133). Templeton returned to England where he wrote Simplot again specifically asking him whether he was interested in

taking a license. "My general idea is, subject to prospects, to come over to the States again in January, I would like, if you are seriously interested, to come to some satisfactory arrangement with you also at that time." (PX 8, III-35). The latter enthusiastically responded in the affirmative (PX 8, III-36) subject to only one condition which was that "a survey should support the economical soundness of such a venture". Templeton returned to the United States early in 1949 to negotiate (T. 683). Simplot met with both Templeton and Rivoche in Washington, D. C., and had further talks with them in New York City (PX 8, III-134), before Templeton went on to Rochester to meet with R. T. French and ultimately to Boise in March 1949.

The Value of the "Know-How"

Defendant went to some pains to demonstrate the knowledge on the subject of granules said to have been acquired by its people before March 1949. Two lengthy exhibits (DX 33, II and DX 34, III) comprise the documentary material defendant asserted was in its files as of that date. In addition, defendant's Director of Research, Mr. Ray W. Kueneman, testified he had actually visited the Chivers dehydration plant in England during World War II.

However, plaintiff asserts the strongest evidence of the value of Templeton's advice to defendant during March 1949 is defendant's 1947 abortive foray into making granules by the "freeze-squeeze process" and its equally abortive attempt with the dehydrated "minute potato" of 1948.

As Judge Taylor said, "defendant made no attempt at the trial to explain this sudden transition from failure to success" (99 R 74).

The Chivers Process

As Dunlap's letters show, there was a definite misunderstand-

ing by defendant about the relationship of the F-V-R patents and the Chivers process. Dunlap in 1947 evidentally assumed they were two separate processes. Although defendant asserted knowledge of Rendle's British as well as American patents (DX 34, III), it is apparent defendant did not appreciate that the "Chivers' process", the R. T. French and Rendle's process were one and the same. What was known was only that R. T. French was producing a granule by a patented process developed in England.

Templeton's Position

Templeton came to the United States in 1948 and 1949 knowing that the "Chivers' process" and his newly acquired United States F-V-R rights were one and the same. He knew his English patent position had been sustained after an attack by Chivers and he was confident that his United States position would similarly dominate the granule market. It was a repeatedly stated condition of Templeton's that his United States patents should be presumed valid. "The principal ground for our belief is that a substantial challenge has been made and successfully rebutted in the U.K." (PX 8, III-145).

In his letter of March 8, (PX 8, III-49) and undoubtedly earlier, Templeton informed Simplot of Rendle's United States patents and stated that R. T. French's manufacture under them "infringes the art disclosed in their original documents in favor of Faitelowitz, Volpertas and Rivoche". He felt sufficiently confident not only to offer an exclusive license under his patents, but also to guarantee against any adverse consequences by reason of infringement of the other patents (PX 8, III-83, Par. 3; -120, No. 10).

Defendant's Incentive

Defendant had been one of the major producers of dehydrated potatoes in World War II. No civilian market had developed for those products. Defendant attempted a comeback with the "freeze-squeeze process". That had failed. Defendant had attempted a comeback with the "minute potato" with equally unimpressive results. Now a new and presumably patent-protected granule process was being developed in the United States by the principal competitor, R. T. French Co. By late 1948 it became clear that if defendant was to continue with the dehydrated potato business it would have to enter the newly developed granule process. Mr. Templeton then had three important and inter-related items to offer Simplot. Firstly, he offered him the advice and experience of a man who had successfully produced the product; secondly, he offered him through an exclusive license freedom from competition; and thirdly, he offered him a guarantee against possible infringement of an already established and presumably valid patent position. It is not surprising that Mr. Simplot responded with some enthusiasm, meeting with Templeton and Rivoche in Washington and in New York before inviting Templeton to Boise. With characteristic optimism, Mr. Simplot stated his objective as becoming "recognized as a producer and seller of mashed potato powder as quickly as possible" (PX 8, III-55).

Subject to Approval

While Templeton had stated to Simplot that considerations of past acquaintance had prompted him to offer Simplot the right of first refusal (PX 8, III-34, 35, 133), Simplot was well aware that there were other producers with whom Templeton was anxious to deal if he, Simplot, did not evince interest (PX 8, III-175).

Defendant now contends that Simplot never intended to make a binding commitment until he had the approval of his patent attorney. Yet he met Templeton and Rivoche in Washington merely a few weeks before the Boise negotiations. It is apparent that no mention was then made of the necessity of Mr. Beale's approval. If this was then an important element to Mr. Simplot, he kept it to himself while the parties were in Washington and only a few blocks from Mr. Beale's office.

The Boise Meeting of March 1949

The parties met in Boise in March 1949. Plaintiff was represented by its chief executive, Robert A. S. Templeton, who came to the meeting from London. Defendant was represented by its chief executive, J. R. Simplot, a man who on his own say-so makes big deals by parley and by phone and rarely writes a letter. These "general officers" came together to make a deal, not to open a series of diplomatic démarches by their underlings. It is plaintiff's position that they did reach an understanding and that it was the subsequent duty of the underlings to implement that deal, filling in the details as the developing situation made appropriate. It is this understanding that plaintiff asks this Court to order enforced.

Plaintiff came to Boise with a patent position from a dollar-poor post-War England needing an established and aggressive U. S. licensee since it was in no position to establish itself. Simplot seemed to Templeton to fill the bill.

Defendant invited Templeton to Boise with a plant and a past, but no product. A major competitor, R. T. French, was drawing rapidly away with a "patented" product that bid fair to leave defendant an "also-ran". Templeton offered the umbrella of a patent position, and, based

on previous battles in England, seemingly an "equalizer" to use against R. T. French. Templeton must have seemed mighty opportune to Simplot.

There can be small doubt that the parties were "ready"; ready to conclude a working alliance or relationship of licensor-licensee on terms necessarily broad and fluid to meet a developing situation. That is precisely what plaintiff believes the record establishes that they did and it is plaintiff's further position that it can now collect damages on its action filed in February 1961 for defendant's flagrant dishonor of its commitment.

B. What Was Understood

The Ruling Below

The Memorandum Opinion (99 R 73-74) states:

> "The parties reached an informal understanding in regard to developing the processes and the industry in this country, which was to be formalized later subject to the approval of their respective legal counsel."

Plaintiff agrees.

It is the gist of plaintiff's position in the Contract case that the "understanding" found by the trial judge to have been "reached" by "the parties" was reached orally* at Boise, Idaho on the occasion of Mr. Templeton's visit there in March 1949. This understanding created a relationship between the parties of contract as licensor-licensee, or at least of status as quasi-licensor-licensee, which continued to exist until

* The documents contained in Plaintiff's Exhibit 8 (PX 8, III-49-226) take this understanding out of any bar that might be raised by the Statute of Frau

abandoned by both sides only after plaintiff had completed the last perfection of the promised license rights by the acquisition of full title to the Faitelowitz patent in suit in mid-1956.

It is plaintiff's firm view that this understanding created an oral contract which the parties intended to effectuate and memorialize by the selection of appropriate terms in a formal agreement to be drafted by attorneys. If such is the intention of parties and for some reason the formal document is never signed, the oral agreement remains in full force, McCandless v. Schick, ____ Idaho ____, 380 P. 2d 893 (1963).

Where the Court below erred was in concluding that the understanding reached was not so definite as to be enforceable at law and was so conditioned on the subsequent actions of counsel as not to come into existence until "approval" had been obtained. The error is highlighted by consideration of the first paragraph of Finding VIII (00 R 46) reproduced below with the corrections indicated by lining out and bracketed insert which plaintiff contends are needed to correct the error:

"VIII.

"~~No~~ [An] express contract, ~~either~~ oral ~~or in writing,~~ was ever entered into between the parties. The record shows ~~only an~~ [a definite] ~~indefinite and~~ [, but] general understanding as to what their arrangements should be for the development and production of an instant mashed potato product for sale in the United States. Under the broad outline, plaintiff would grant defendant an exclusive license for the use of the Faitelowitz, Volpertas and Rivoche processes and would assist defendant in establishing its operation in exchange for a royalty

based on production. ~~Any~~ [A written memorial of this] agreement, however, was ~~at all times~~ [to be drawn up in specific terms] subject to the approval of ~~defendant's~~ [both party's] legal counsel, which, as events transpired, was never [executed] ~~received~~, and ~~thus~~ [this] prevented the parties from reaching a meeting of minds on the [precise] terms of ~~an~~ [a more formal] agreement."

The Law

It is the law that parties need only agree on the essentials of an agreement. The law will imply reasonable terms as necessary to fill out the bargain made.

Although the Court below did not mention specific unresolved terms as a reason for holding no enforceable contract to have been made, it did say that there was only "an indefinite and general understanding". Plaintiff believes that the language of this summary reveals the source of the lower Court's error. Its notion of the requisites of an enforceable contract is rooted in the precisions required by the law of bills, notes and checks, not in the practices of modern business, or the necessarily speculative world of patent licensing. Mantell v. International Plastic Harmonica Corp., 141 N.J. Eq. 565, 55 A. 2d 250, 173 A.L.R. 1185 (Ct. Err. & App. 1947).

If an agreement is sufficiently definite to collect the full intent of the parties, it is sufficiently definite for a court to enforce. People v. Interstate Engineering & Const. Co., 58 Idaho 457, 75 P. 2d 997 (1937).

This certainty of intent and terms however relates only to essential matters, Steen v. Rustad, 132 Mont. 96, 313 P. 2d 1014 (1957).

Absolute certainty relative to every detail of a contract is not always required, Taysom v. Taysom, 82 Idaho 58, 349 P. 2d 556 (1960).

Plaintiff finds the case at bar quite similar in "flavor" to Pennsylvania Co. v. Wilmington Trust Co., ____ Del. Ch. _____, 166 A. 2d 726 (1960), aff'd 172 A. 2d 63 (1961). There a short letter agreement stated the price for selling the stock of a mid-west Railroad to a subsidiary of the Pennsylvania Railroad Company. The agreement concluded with:

> "It is understood that all necessary details to implement this will be worked out by our respective attorneys."

At the formal closing the defendant refused to sign (another party had offered it 30% more). One ground urged was that the above term transformed the contract into a mere agreement to agree. In a well reasoned opinion, Chancellor Seitz denied this, stating that the essentials required by law had been agreed on.

The Obligations Imposed on Plaintiff By The Understanding

Plaintiff*, at the time an active commercial producer of granules under the F-V-R processes in England and the owner of, or holder of certain inchoate rights to become owner of, the United States patents and patent applications directed to the F-V-R processes, obligated itself to:

* In March 1949 Mr. Templeton represented a predecessor corporate entity, also British, but no issue arises from this fact and convenience is best served by referring to the Templeton interest as "plaintiff".

a) a license under all its U.S. patent rights;

b) an obligation actively to perfect and protect those rights;

c) refraining from licensing another (R. T. French excepted) nation-wide if defendant met certain conditions;

d) refraining from licensing another in Idaho;

e) inclusion in the license of future improvements;

f) a most-favored licensee position for defendant;

g) a guarantee against infringement of the patents of others;

h) an assured license for the entire life of any licensed patent;

i) an agreement to renegotiate any terms made unreasonable by the development of subsequent unrestrainable competition;

j) a positive undertaking to help develop the F-V-R processes in the plant of defendant, an interested potential producer 5000 miles away from plaintiff;

k) a full disclosure of plaintiff's accumulated know-how including permission freely to visit plaintiff's plants; and

l) a disclosure of all future developments.

The Obligations Imposed on Defendant By The Understanding

Defendant*, at the time an active vegetable and potato processor in England, without any successful product in the looming instant mashed potato field, and no patent rights to a commercially usable process in that field, obligated itself to:

a) accept a licensee position under plaintiff's United States patent position, vested and inchoate, to the F-V-R processes;

b) get into commercial production with reasonable promptness or pay a minimum royalty to maintain a nation-wide position of exclusive licensee or accept the lesser position of exclusivity only in Idaho;

c) pay a running royalty on licensed production; and

d) disclose and permit plaintiff to patent all improvements to the F-V-R processes it acquired, subject to inclusion of any resulting patents in the license.

Mutual Obligations Imposed By the Understanding

The parties were embarking on a cooperative venture in the establishment of a United States industry in the manufacture of a new

* In March 1949 Mr. Simplot represented a predecessor corporate entity, of Idaho not Nevada, but no issue arises from this fact, and convenience is best served by reference to the Simplot interests as "defendant".

product produced from a naturally-variable raw material under the umbrella of patent rights not yet fully ascertained, and to this end mutually obligated themselves:

a) to seek professional advice, particularly in the field of patent law, to enable them to draw up a detailed written memorial in futherance of the understanding they had reached and of its purposes;

b) to work together in good faith to promote the objects of the understanding and to keep each other fully informed of relevant developments, technical and economic; and

c) to renegotiate details of the arrangements between them to keep the understanding constantly reasonable in the light of current developments.

C. The Subsequent Conduct of the Parties and Its Legal Effect Confirms Existence of an Understanding

Introduction

This section presents proof that each of the terms plaintiff says were agreed upon by the parties at Boise, Idaho in March, 1949 were in fact so agreed upon. It will show that all the credible evidence adduced at trial supports the proposition of agreement on each term. In addition, the relevant law which indicates the sufficiency of the terms individually and collectively to form an enforceable understanding will be set forth.

The evidence which will be reviewed is largely that contained in Plaintiff's Exhibit 8, which the trial court found to be "the most credible evidence concerning the dealings and negotiations between the parties" (00 R 46). The landmark documents in Plaintiff's Exhibit 8 are:

Templeton's letter of March 8, 1949 (PX 8, III-42-58) sent from San Francisco back to Boise only a few days after the understanding had been reached and accompanying enclosures including a proposed preliminary memorial of the understanding, called by him in British fashion, "Heads of Agreement";

The Edmonds draft of March 28, 1949 (PX 8, III-59-71), a proposed formal memorial by plaintiff's patent counsel;

The Troxell letters of April 6, 1949 (PX 8, III-78-79) and August 9, 1949 (PX 8, III-118-121) relating to the position of defendant's patent counsel;

The so-called "annotated Heads", being a copy of the earlier "Heads of Agreement" annotated by Mr. Templeton with changes agreed upon at his December 1949 meeting in New York with Simplot (PX 8, III-138-141; 144-145 also included in the Appendix in this Brief with its letter of transmittal from plaintiff to defendant at pp. 18a-23a); and

The Troxell draft of December 16, 1949 (PX 8, III-148-165), executed by defendant.

Certain other documentary evidence, notably that evidencing part performance by plaintiff, such as Plaintiff's Exhibit 8 and Defendant's Exhibits 29 and 35, will also be reviewed.

1. A Nationwide License Under the F-V-R Patents

In the entire correspondence there is nothing that indicates plaintiff ever intended to grant less than a nationwide license under its F-V-R patent rights for the life of these patents. In the heads of agreement (PX 8, III-43), Mr. Templeton summed this up as "to grant licenses to manufacture and sell under the said letters patent".

2. An Obligation to Perfect Rights

All of the documents recite the pendency of the Rivoche application. It was self-evident that for its own self-interest plaintiff would prosecute this application to issue as it did.

The same thing applies to the matter of title to the Faitelowitz patent. When the defect became known to it, plaintiff began and ultimately finished the time consuming revesting procedure.

3. An Obligation to Grant No Further Licenses Should Simplot Pay A Minimum Royalty or Begin Production with Reasonable Promptness

The evidence supporting the parties' agreement on this term will be deferred to the section discussing Simplot's correlative duty to pay the minimum fee and begin reasonably prompt production if he wished to maintain the nationwide exclusive license.

4. Licensing of Future Improvements

Plaintiff was obligated to grant a license on all future im-

provements developed by either party and dominated by the basic F-V-R patents. Mr. Templeton expressed this in the Heads (PX 8, III-43):

> "* * * to grant licenses * * * on all improvements arising therefrom during the continuance of this agreement".

Mr. Edmonds in his draft (PX 8, III-62, Par. 3), stated that all improvements "shall forthwith become and thereafter be one of the licensed patents".

The Troxell draft as signed by Mr. Simplot (PX 8, III-151) contains identical language.

5. A Most Favored License Position

This quite common term is closely related to the following obligation of plaintiff to renegotiate should unrestrainable competition develop. It first appears explicitly in the Troxell draft (PX 8, III-156). Evidence that there was never any misunderstanding on this point is Mr. Troxell's earlier letter (PX 8, III-118) which does not specifically advert to this term.

6. A Guarantee Against Infringement of Others

As this was one of the prime items plaintiff had to offer, there was never any disagreement on this subject. On March 8, 1949, Mr. Templeton stated it simply as "to accept all liabilities which may arise in connection with infringement of other letters patent"(PX 8, III-44). It reappears in Edmonds' draft (PX 8, III-66), Troxell's letter (PX 8, III-120), and Troxell's draft (PX 8, III-157).

7. A License for the Life of the Licensed Patents

Mr. Templeton stated clearly that the license shall "continue

for the period of the longest patent" (PX 8, III-46). This occurs in paragraph 1 of the Edmonds draft (PX 8, III-61).

8. Provision to Renegotiate Terms Made Unreasonable by Subsequent Unrestrainable Competition

This term appears in substantially identical form in the Heads of Agreement (PX 8, III-45), Edmonds' draft (PX 8, III-66), Troxell's letter (PX 8, III-120), and Troxell's draft (PX 8, III-157).

The inclusion of this term is instructive because of its variance with defendant's apparent main contention that nothing ever became binding because there were negotiations yet to perform.

This Court may remember instructing the present defendant in N. L. R. B. v. J. R. Simplot Co., 322 F. 2d 170 (9 Cir. 1963) that it is the law that a contract or obligation to negotiate is binding.

9. A Positive Undertaking to Help Develop the F-V-R Processes

Mr. Templeton went immediately from the meeting with Simplot in Boise to nearby Caldwell where defendant had its potato processing plant. He spent the better part of three days (T. 1006) demonstrating his processes to and working with two Simplot employees, Ray W. Kueneman, then Production Manager, and Ray L. Dunlap, Food Technologist. The extent and scope of this laboratory work is well illustrated by Mr. Kueneman's testimony (T. 1006-1016), his notes (DX 29a-g), his subsequent letter to Mr. Troxell (DX 9), and Mr. Dunlap's notes (PX 10).

The evidence outlined shows beyond question that Mr. Templeton demonstrated in detail each of the processes covered by the three patents in suit and further went into some detail about the best procedures based on his experience in England.

As might be expected, this obligation of the plaintiff occurs unequivocally in all of the subsequent drafts and letters exchanged by the attorneys.

10. A full Disclosure of Plaintiff's Accumulated Know-How

This item, inherent in Mr. Templeton's demonstrations at the plant and advice on beginning granule production, is covered both by the demonstrations and all exchanged drafts of the attorneys. As a future letter shows (PX 8, III-217), F. M. S. was maintaining a pilot plant at Wisbech, England to demonstrate all procedures to present and prospective licensees.

11. Mutual Disclosure of All Future Developments

Both parties were under obligation to disclose all future developments to the other party. Plaintiff was to have the option of acquiring patent rights at its expense on any improvement and the license was to include any improvements so patented. This appears clearly in the various drafts (PX 8, III-45, 62, 119 and 152).

12. Defendant to Pay A Reasonable Running Royalty

The first point here is that the parties clearly agreed on a running royalty versus a flat yearly royalty, a single payment royalty or a percentage of profit royalty. All of the correspondence confirms this.

Plaintiff submits the parties intended from the very beginning a reasonable royalty under the circumstances. The specific inclusion of renegotiation provisions in all drafts show this (PX 8, III-45, 157). Such an agreement is enforceable.

The subsequent acts of the parties showed that the parties were in substantial accord on the amount of running royalty and when dif-

ferences arose they were easily settled.

In the Heads, Mr. Templeton set forth a sliding scale from 4% to 2% as his impression of a royalty appropriate to the terms agreed upon (PX 8, III-45). While defendant never characterized this impression as inaccurate, it was evidently unhappy with it. That summer, Mr. Simplot formally proposed a single 2-1/2% royalty rate (PX 8, III-119).

At a subsequent meeting in New York City, this was evidently agreed to as reasonable as of that time as witnessed by Templeton's "Annotated Heads" (PX 8, III-140) (Reproduced in the Appendix to this Brief, pp. 18a-21a) and Simplot's signed draft (PX 8, III-153).

Within a year the country was at war in Korea. Suddenly there were large government contracts to be filled. Since these quantitites were out of all line with those anticipated by the earlier agreements (1 million versus 10,000 tons) even further adjustments were in order. Mr. Templeton therefore reduced the rate paid by another licensee (PX 8, III-195). This shows that a reasonable running royalty was what was contemplated.

This alone is sufficiently definite. It is as definite as the standard established by Congress for determining damages for infringement of these patents.

> "...damages adequate to compensate for the infringement, but in no case less than a reasonable royalty..." 35 U.S.C. § 284.

Additionally, it is the law of Idaho and the United States generally, that an agreement such as this may be enforced when the price is agreed to be a reasonable one. This license is subject to the Idaho Uniform Sales Act which provides in pertinent part, Idaho Code 64-109(4):

> "Where the price is not determined in accordance with the foregoing provisions the buyer must pay a reasonable price. What is a reasonable price is a question of fact dependant on the circumstances of each case."

The Uniform Sales Act applies to "Goods" which Sec. 64-101 states "include all chattels personal other than things in action and money."

A sale of a patent right is obviously a chattel personal since that is any property not amounting to a fee in land, or any lesser interest in land (chattel real), U.S. v. Sischo, 270 Fed. 958, 961 (9 Cir. 1921), rev. other grounds 262 U.S. 165; Intermountain Realty Co. v. Allen, 60 Idaho 228, 90 P. 2d 704, 705 (1939). Patent rights are obviously neither things (choses) in action nor money.

Thus, the sale of a right of action for past infringement, while a chattel personal, would also be a chose in action and excluded from the Act. The sale however of all or any portion of the "right to exclude others from making using or selling" (35 U.S.C. § 154) is not the sale of a mere right of action but is the sale of "personal property" (35 U.S.C. § 261). See also 26 U.S.C. § 1235(a).

In a recent case which was apparently within the Illinois Uniform Sales Act, there was an agreement to furnish displays which defendant breached by "abandoning" the project before delivery. The court found the contract price stated to be "reasonable" sufficiently definite to award damages, Byrne v. Shell Oil Co., 295 F. 2d 797 (7 Cir. 1961).

A similar case was presented in McJunkin Corp. v. North Carolina National Gas Corp., 300 F. 2d 794 (4 Cir. 1961). There the defendant signed a purchase order and later, after the market for steel pipe fell, defendant "cancelled" and procured pipe elsewhere. The court held that the contract price "subject to governmental regulation and to manufacturers' price change" did not make the contract indefinite or subject to unilateral cancellation because still executory.

In construing its Uniform Sales Act the Vermont Supreme Court ruled that where no price was stated in a contract between a home owner and contractor who procured custom made kitchin cabinets, the defendant was obligated to pay reasonable price. H. W. Myers & Son. v. Feloupulos, 116 Vt. 364, 76 A. 2d 552 (1950)*.

The philosophy behind this statute has, over the years, been applied in many other areas to indefinite language which the parties at the time thought legally effective. In an option to buy real estate "terms to be agreed upon" meant reasonable terms, Morris v. Ballard, 16 F. 2d 175 (D. C. Cir. 1926). An agreement to reorganize a company as the parties' counsel "shall determine to be advisable" was, Judge Swan held, definite enough to support money damages for refusal to allow the reorganization, Gulbenkian v. Gulbenkian, 147 F. 2d 173 (2 Cir. 1945). A provision in an agreement to "employ on mutually satisfactory terms" meant "reasonable terms", Borg Warner Corp. v. Anchor Coupling Co., 16 Ill.

* The ultimate holding was that as defendant had signed no memorandum and as plaintiff had a third party, not himself make the custom cabinets, defendant was not liable.

2d 243, 156 N.E. 2d (1958), reh. den. 156 N.E. 2d 930. And see Hedges v. Hurd, 47 Wash. 2d 683, 289 P.2d. 706 (1955).

The need for flexibility of terms is particularly great in the field of patents and the courts have recognized this. This property, like the product of authors and composers, is impossible to evaluate ahead of time. Like a book or song it may take years of work and thousands of dollars to find out whether the property is of great value or worthless. It is often a matter of necessity that the parties pool their assets and talents with no other agreement than to treat each other fairly.

Furthermore, it is the public policy that a patentee's reward shall be based on facts occurring long after a prospective license is signed. The Patent Law speaks of recovering reasonable damages under the circumstances during the entire period of infringement. Furthermore, there is the policy that there is a fair payment for an invention. While this should be paid promptly upon initial profits, the running royalty should decrease if unexpected profitability or sales develop. The Royalty Adjustment Act (56 Stat. 1013, 65 Stat. 710) specifies the royalties in government contracts as "fair and just compensation" taking into account "the conditions of wartime production".

In Cold Metal Process Co. v. United Engineering, 107 F.2d 27 (3 Cir. 1949) the parties had interfering applications in the Patent Office. They entered a contract in which defendant was to pay royalties which were to appear "in a definitive agreement which the attorneys will draw up". Defendant never did draw up the contract and after years of equivocally living under it claimed it was void for uncertainty. Judge Buffington rejected this, noting that the contract had been partly performed and stated that defendant must pay according to the intention of the parties

which a master could readily determine.

Similarly in Droll v. McGrath, 199 F. 2d 187, 189 (D. C. Cir. 1952) Judge Clark in disposing of patent rights vested by the Alien Property Custodian stated:

> "Where... as here, there is no clear contractual provision for methods of fixing [royalties] both the owner and the licensee should participate in their determination."

He went on to point out this determination should be reasonable and provided court review if it were not.

In Eno v. Prime Mfg. Co., 314 Mass. 686, 50 N. E. 2d 401 (1943), plaintiff, had while in defendant's employ, invented a new method of attaching insoles to the upper of a shoe. Defendant's president developed a cooperating machine. The parties entered a letter agreement that they would obtain patents to be assigned to the defendant. The defendant undertook to develop the process and to "justly and properly compensate Mr. Eno". By its terms this contract was only to last for the trial period. The trial period expired and no new contract was signed. Defendant then claimed the contract was void for uncertainty and that it thus escaped liability for use of the invention. The court ruled otherwise:

> "A contract is not necessarily incomplete because one of its terms was to be exactly fixed at a future time. If, as here, one of the parties intended to pay, and the other to accept, reasonable compensation, and the former has continued

for years to enjoy the benefit. . . then although the parties have not agreed. . . on obligation to pay. . . could be implied." [Emphasis added]

The Court might more accurately have said that one of the parties "stated he intended to pay". Neither his then secret intent nor his later changed intent, although informative, are governing.

Cases would not come to Court if one party's stated intent did not change after entering into the bargain. Clearly, Mr. Simplot's intent fluctuated widely with time depending on the business situation. There was the early competition of R. T. French, the Korean War and large military contracts, the licenses of other producers, the issuance of the Rivoche patent, the Royalty Adjustment Proceedings, the return of the Faitelowitz patent and the periodic advice of his attorneys as to his legal position.

Mantell v. International Plastic Harmonica Corp., supra, presented this problem with a manufacturer and a distributor as the parties. The court found the contract concerned was a radically different harmonica* which "had not yet been perfected" and the "manufacturer's production capacity was altogether speculative and unknown". Plaintiff was appointed distributor for several mid-Atlantic states. Plaintiff undertook to buy all harmonicas produced, initially up to 30,000 per month. The reason for this large number apparently was that the machines which made the harmonicas covered

* Apparently covered by U.S. Letters Patent Nos. 2,373,129; 2,407,312; and 2,416,451.

by one of the patents) was a high speed plastic injection molding machine. Defendant had to have a guarantee of its output before it could afford to develop it.

Thus, both plaintiff and defendant were undertaking a considerable financial risk both as to the harmonica workability and saleability. The initial retail price was set but the contract stated the price between the parties only as the lowest offered any other distributor.

Apparently, no other distributors were appointed and defendant on their own account sold in plaintiff's territory. Defendant argued that, as the method for ascertaining prices had not "sprung into existence", the price remained unfixed and the contract was uncertain and therefore unenforceable.

The court found that the contract obligated both parties to perform before other distributors were appointed. It further stated that because of the "exigencies of the particular situation", the parties were deliberately silent as to price "and that as a matter of law" this was a stipulation for a reasonable price, citing incidentally the New Jersey Sec. 9 of the Uniform Sales Act.

Thus it can be seen that courts have been responsive to the predicament of parties seeking together to launch a new invention on the market and that the courts will not allow one party to use any necessarily indefinite language in the contract as an excuse to drop his partners when they have served his purpose and retain all the profits for himself.

13. The Minimum Royalty For the Exclusive License

The parties agreed that Simplot was to have a nation-wide exclusive license if he met certain reasonable production standards. Apparently Simplot was not sure he could or would get started even that

promptly. He therefore asked for and obtained an alternative arrangement. As Mr. Templeton later stated it:

> "It was your suggestion that if you did not realize even the moderate tonnages suggested even so you should have the right to retain the exclusive position for the whole of the United States by paying a sum of money in cash. I agreed and you practically fixed your own terms in this regard." [Emphasis added] (PX 8, III-134).

The terms Mr. Templeton set out as the agreement reached in the "Heads", and which were never contradicted by defendant, were (PX 8, III-45):

1st year - 1000 tons or $6,000 quarterly

2nd year - 2500 tons or $20,000 quarterly

3rd year - 5000 tons

5th year - 7500 tons

7th year - 10,000 tons

First year ends July 31, 1950.

This is the last mention of this term (excluding a comment on the ambiguity of the Edmonds draft) until the "Annotated Heads" following the meeting between the parties in New York City in December 1949.

There Mr. Templeton changed the figure $20,000 to $16,000 and made the notation "was I think agreed as amendment". At this point, the first quarterly payment was already overdue. The one substantive change in the entire contract Mr. Troxell made was to move the date for the initial quarterly payment of $1,500 from the already-passed November 1, 1949 to June 1, 1950. All corresponding limits and deadlines were likewise put off.

If there is one thing certain it is that Simplot never mentioned such a variance to Templeton in New York City. Such a proposal would provoke the direct question of whether he really wished to terminate the negotiations.

This is the one question Simplot evidently wished most to avoid answering. Twice, by letter from England, Templeton asked it (PX 8, III-135, 174). Twice his letter went unanswered.

However, when he met Templeton in person he stated "he wished to go ahead with the agreement and would speak to [his] legal counsellor to that effect immediately". (PX 8, III-171).

Plaintiff does not pretend to know whether he seriously intended to memorialize the agreement and was dissuaded or whether he was consciously buying time and attempting to get Templeton back to England without his dealing with others.

Whether he once again intended to proceed and changed his mind or whether his secret as opposed to his expressed intention was at all times to tie plaintiff up and pay nothing is irrelevant. In either case he was legally obligated on the contract.

For the following year he used the foil of "Beale's advice" (PX 8, III-199) to avoid signing a license while still speaking of "our deal on granular patent" (PX 8, III-201).

Plaintiff feels certain this court will find that no difference as to terms for the exclusive license kept the parties apart.

14. The Obligation to Deal in Good Faith

The central problem of this section is whether Mr. Templeton was reasonable in believing as assuredly he did believe, that Mr. Simplot was committing himself to an oral agreement on March 4, 1949 during their meeting at Boise.

On this point known business practices generally and Mr. Simplot's in particular became quite relevant.

Plaintiff is certain that frequent review of contract cases by the members of this Court will lead them to embrace Prof. Arthur L. Corbin's statement in 50 Yale Law J. (1950) at 829:

> "The writer's study of the cases...
> had fully convinced him as follows...
> (3) that from the very first the requirement of a signed writing has been at odds with the established habits of men, a habit of reliance upon the spoken word in increasing numbers of cases..."

Defendant's Business Practices

The average businessman's disregard of reliance on written contracts or communications of any sort pales into insignifiance beside the phobia on that subject of defendant's president Mr. J.R. Simplot. In Plaintiff's Exhibit 8, containing the entire correspondence between the parties from 1946 to 1959 there are exactly two letters written

by Simplot and one contract signed by him.

At the trial Simplot made what was perhaps the understatement of the entire proceedings when he said he "didn't write many letters" (T. 1384) and that this remained his practice.

Furthermore, Simplot admitted keeping no day to day notebook (T. 1383) while doing business over the phone and face to face (T. 1395). This Court might speculate profitably on his continued practice of not memorializing meetings (T. 1384) and his then and present feelings as to the accuracy of the Heads.

Nor is Mr. Simplot content to deal orally with only modest size proposals. This Court might find the opinion of Simplot v. Dallas Rupe & Son, 71 Nev. 111, 369 P. 2d 445 (1962) instructive concerning Mr. Simplot's business practices. The suit concerned a brokerage commission for a large scale refinancing of defendant's company. The original proposal was interest at 5 3/4%. The Court found that when he could not obtain a loan at that rate Mr. Simplot bound defendant by orally assenting to a $1.4 million loan at 6%.

Mr. Templeton had known Mr. Simplot personally as well as by reputation in the industry for four years prior to 1949. He had met him and been his guest in Boise in 1945 (T. 998, PX 8, III-10-11)*. He had further met him in late 1948 in New York City (PX 8, III-34) as well as

* Mr. Simplot couldn't remember within 2 years and 2000 miles where he first met Mr. Templeton (T. 1384). Plaintiff suggests this be weighted when evaluating the crystal clarity of his recollection concerning the terms of his oral understanding in 1949.

more recently in both Washington and New York before going to Boise.

Plaintiff urges that Mr. Templeton had adequate opportunity to observe for himself the undeniable truth. Mr. Simplot was a businessman who operated through oral agreements and it was he who made the oral agreements.

The only document which comes near to being a contemporaneous document is the "Heads" sent from San Francisco. The tone of the letter accompanying it (8 March 1949) purports to convey an agreement already reached and Mr. Templeton at trial reaffirmed his intent in sending it (T. 892).

Courts have for many years given both evidentiary and legal significance to the silence of one party to oral negotiations when receiving the written understanding of the other party. In Dickey v. Hurd, 33 F. 2d 415 (1 Cir. 1929) plaintiff repeatedly wrote that he understood the offer was that he promise to pay by a certain date. When he in fact did accept at the deadline by promising payment the defendant announced the offer required him to pay by the deadline. The Court held for the plaintiff saying if defendant's story were true he had a duty to speak out.

This duty to speak if one disagrees with a "confirmation" of a contract which one receives has further been lately recognized by the spreading Uniform Commercial Code, Section 2-201.

Mr. Templeton's testimony at trial was both confirming and specific:

> "My recollection is that at the termination of the meeting, or immediately after it, Simplot said, the words are as near as I can get: ' I'll go along', and in the course of walking down the street I said

'I will put that all down on paper and send it to you.'

* * * *

"Mr. Hawley: And you indicated to Mr. Simplot at that time and place you would reduce your proposal or offer of a licensing agreement to writing?

"A. I would put it stronger. I would say I understood to put the terms we had agreed in writing." (T. 893).

Mr. Simplot, who had previously denied an offer was made, denied he accepted it:

"Yes, I am sure we naturally--he was trying to sell his offer--the whole ball of wax--his patents and those that were pending and that he had--he was trying to sell them and if they were what he claimed, we were certainly interested.

* * * *

"...Yes, I think he [Mr. Troxell]--we at that time were using--we had Mr. Beale and Jones in Washington, D. C., and I am sure that he mentioned that he didn't have the knowledge of patents and that he would refer it to them...Refer it to them on the basis of the patents...There wasn't anything definite." (T. 1386).

To the extent that this vague testimony could be taken as convincing evidence that no agreement had been reached, it would be cast in doubt by the later and wholly incredible statements of both Simplot and Troxell that neither knew of the subsequent Caldwell demonstrations

(T. 1387, 1316). To admit they knew of the demonstrations would be to admit the demonstrations were conducted pursuant to an understanding.

To deny their knowledge of these demonstrations was to affirm the incredible position that Messrs. Kueneman and Dunlap* would have done what they did with no authorization whatsoever.

The obligation to pay for confidentially disclosed know-how is perfectly well settled and of too long standing not to be known by responsible employees in industry. This court has repeatedly set out the elements. Engelhard Industries Inc. v. Research Instrument Corp., 324 F. 2d 347 (9 Cir. 1963); Kierulff v. Metropolitan Stevedore Co., 315 F. 2d 839 (9 Cir. 1963); Osborn v. Boeing Airplane Co., 309 F. 2d 99 (9 Cir. 1962).

The proposition is perfectly simple. If there was no contractual arrangement, these two employees were subjecting their company to serious potential liability and merely compounding the sin by keeping such candid and complete notes of the demonstration. If, however, there already was a contractual obligation, then there was and is no liability for the receipt of the know-how.

Plaintiff urges that the alternatives supply their own answer which is that Messrs. Kueneman and Dunlap knew it was safe and proper to conduct the demonstrations and take copious notes. They could only have been authorized by Simplot or Troxell.

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* Their immediate supervisor, Mr. Leon Jones, was not in Boise at the time (23 April 1949).

Troxell also knew the demonstrations were authorized whether he first learned of them March 4 or March 16. On March 16, Mr. Kueneman wrote Mr. Troxell thoroughly outlining the demonstrations (PX 9).

If Mr. Kueneman had acted improperly in confidentially accepting trade secrets or had he taken solely Mr. Templeton's word that an agreement had been reached, would not Mr. Troxell, the Executive Vice-President and an attorney, have reproved him and instructed him to cease?

On April 23, 1949, Mr. Leon Jones wrote Mr. Templeton about the progress of experimental work at the Caldwell plant. Was Mr. Jones then taking orders from Templeton about authorizing experimental work in his plant or was he doing it pursuant to explicit instructions received from Boise?

On June 1, 1949, Mr. Jones again wrote Mr. Templeton describing further work with the two large Procter and Schwartz driers and the steps being taken to produce the initial seed. On June 21, Mr. Dunlap, who was evidently in charge of the project, wrote Mr. Templeton a short letter on the occasion of his return to Boise after an extended and unexpected absence. The note indicates the project was still active and really only awaiting Mr. Dunlap's return.

Simplot's story then is that Mr. Templeton after three prior meetings with him (New York City, October 1948; Washington, D. C. and New York City early 1949) came to Boise for further discussions and in several hours covered nmore than he would like to offer a license under his patents (which is precisely what his letter of the previous November 18 (PX 8, III-34) to Simplot said).

Continuing with the tale according to Mr. Simplot, Mr. Templeton left him after making no definite proposal, receiving only tentative interest, somehow wound up at the Caldwell plant and performed unauthorized experiments and gave unsolicited advice for two days. He then went to San Francisco and wrote a lengthy letter, agreement and report to Mr. Simplot representing that concrete terms had been both discussed and agreed to and Mr. Simplot never even read the letter. Presumably, Mr. Simplot never even knew the terms that Mr. Templeton was "proposing" until the following August when he met him again in Boise (9 August 1949). If this Court finds this tale* supported by any substantial portion of the evidence it should of course affirm the judgment. If, however, this court agrees with the plaintiff that every item of evidence and every act or inaction by the defendant indicates that a specific proposal had been made and had been accepted by Mr. Simplot, then this court should reverse the judgment.

A factually similar case arose before the Supreme Court of Missouri some years ago. In Priest v. Oehler, 328 Mo. 590, 41 S.W. 2d 783 (1931) plaintiff as here contended an oral agreement on each

* This is not the first court before which the recollections of Mr. Simplot when testifying about past oral negotiations has been presented. See J. R. Simplot Co. v. Dallas Rupe & Son, Inc., supra at 369 P. 2d 450; Archer v. J. R. Simplot Co., 289 F. 2d 596 (10 Cir. 1961); and United States v. J. R. Simplot, 192 F. Supp. 734 (D. Utah 1961). It might be noted that Judge Taylor carefully avoided the issue by resting his Opinion solely on the documentary evidence (PX 8).

essential point had been reached which was intended to be memorialized as here in a formal written document. The opinion continues at p. 787:

> "Both the Oehlers, on the other hand, testified very emphatically that Oehler reserved his final approval of the terms until he could see them in writing. This was the one thing which they at the time of trial could distinctly recall; practically everything else that had transpired at the conference on March 17 had faded from their memories. This taxes credulity somewhat."

15. The Role the Understanding Gave the Attorneys

It is perfectly clear from the record that the understanding of March 1949 gave both plaintiff's and defendant's patent attorneys a role to play in the formation and drafting of the formal memorial of the license agreement that had been reached.

The questions presented are: Was the District Court in error in concluding that the role Mr. Beale was intended to play prevented an enforceable agreement from existing until he gave his approval? We say it was. Did Mr. Beale's actual participation after the agreement had been reached so taint its binding character as to abort it? We say it did not.

Although the Judge below was undoubtedly influenced by the fact that the oral negotiations were intended to be reduced to writing, plaintiff believes it was in evaluating Mr. Beale's role that the Judge committed the principal error. This caused the subsequent errors of assuming the terms were still open and the parties intended to agree in the future. In the Memorandum Opinion (99 R 88) and in the Findings (00 R 45) the Judge states the agreement was subject to the approval of defendant's Patent

Attorney. It is clear from reading these that the Judge assumed because the parties used these words, then as a matter of law, no agreement had been reached.

Had this term not been present then plaintiff submits the Judge would undoubtedly have found an enforceable agreement.

Due to the conflicting interpretation of the legal significance of this term of the oral agreement, plaintiff will analyze the question by setting out the four possible roles Mr. Beale could have been intended to play and why this court should find his role was intended to and was in fact limited to the last two roles which left the contract unimpaired.

Clearly there was a role for Mr. Beale in the statement by Mr. Templeton of the understanding and plaintiff asserts it is this role to which defendant had agreed.

A Conditional Contract

One type of proposal which could have been entered into between the parties is set out in 1 Corbin on Contracts, p. 357:

> "Thus where A offers to buy a patent at a named price, on condition that X shall express approval of the patent, and B promises to sell it at that price and subject to the same condition, they have made a valid and irrevokable contract."

Note that in the above case the power of X was expressly limited to approving or not approving. Also note that there is no limit placed on the reasons for approval or not and indeed no reason would need be given.

While such an agreement would have been, as Mr. Corbin points out, a valid contract, there is not a scintilla of evidence that this

was the term of the agreement. It is expressly at variance with Mr. Templeton's views of the role.

> "[The agreement] can be put into legal phraseology by lawyers in due course." (8 March 1949, PX 8, III-42).

> "I asked [Mr. Edmonds] to submit a draft... subject to any legal aspects he wished to raise and similarly to offer your Advisor the same courtesy." (31 March 1949, PX 8, III-72).

> "The questions you raise are all of the kind which Mr. Simplot and I agreed to leave to be thrashed out between our attorneys." (11 April 1949, PX 8, III-80).

Neither was this type of conditional approval the kind Mr. Troxell had in mind when he wrote Mr. Edmonds on April 6, 1949. If it were he might have said:

> "Beale and Jones have failed to approve of the license. By terms of the agreement our obligations are terminated."

Instead he chose to state that Beale and Jones recommended that J. R. Simplot Co. not enter any license agreement (PX 8, III-78). Clearly the final decision was with Mr. Simplot, not Mr. Beale.

An Illusory Condition

The preceding section logically suggests another sort of

condition. Simplot could have said, and it appeared to be his remembrance at trial that he had said in essence:

> "I'll agree I'm interested and further I'll sign what I please after I consult further and receive a formal license from your attorney."

If such had been the case there would have been no agreement, no condition and Mr. Beale's advice would have been utterly irrelevant to this case. In his opinion the Judge clearly dismissed such a preposterous suggestion first by stating that a "broad general understanding" had been reached.

Marketable Title

It is perfectly clear from the correspondence that Mr. Beale was intended to play a role in the drafting of the formal contract which might appropriately be classified under this heading. This is perhaps best expressed in Mr. Templeton's letter of May 12, 1949 (PX 8, III-94) when he states that a clear condition of the agreement is that the lawyers not show there is something fundamentally wrong.

This type of condition has for many years been recognized and given effect in two areas which together make them peculiarly analagous and appropriate to the present problem. First is the well known provision that a vendor of realty will furnish marketable title. It is now settled that an agreement to provide title satisfactory to the vendee or his attorney is a similarly enforceable variation of this provision.

The other area where a similar provision is commonly used and universally respected is in construction contracts. It is usual to provide that periodic payments shall be conditioned on an architect's or

an engineer's approval. A patent attorney reviewing a patent license must evaluate both engineering and legal criteria to advise his client.

Plaintiff's position here is that defendant is not relieved from performance of the contract because Mr. Beale never in fact gave any final good faith opinion on the license, which was both communicated to the plaintiff and acted on by the defendant. In substantiating this position, plaintiff will separate the apparent advice of Mr. Beale into two areas:

a) the advice on scope and validity; and

b) the advice on the Faitelowitz patent's vesting by the Alien Property Custodian.

Preliminarily plaintiff would like to say that had Mr. Beale in the spring of 1949 said merely "Don't sign" and had defendant written Mr. Templeton that on advice of counsel they had decided to terminate and withdraw, this suit would never have been filed. Whether such action would have been a breach or not would have been academic.

Mr. Templeton would have been clearly free to deal with others and would likewise have been free to pursue his patent rights should the defendant ever begin granule production.

An agreement to accept performance or title satisfactory to oneself or one's attorney is an agreement to in fact exercise a good faith or reasonable judgment. It is supported by consideration and not therefore illusory. Mattei v. Hopper, 51 Cal. 2d 119, 330 P. 2d 625 (1958); Wright v. Suydam, 72 Wash. 587, 131 Pac. 239 (1913); Pacific Telephone v. Davenport, 236 Fed. 877 (9 Cir. 1916), Restatement, Contracts § 265 (1932).

It is inherently necessary and the law fully supports the proposition that failure to give the good faith opinion excuses plaintiff from the condition*. In Nelson Bennet Co. v. Twin Falls Land & Water Co., 14 Idaho 5, 93 Pac. 789 (1908) the Idaho Supreme Court stated this implied exception at 796:

> "Where it has been shown that the engineer ...declined to make honest estimates or decisions, or refused to make inquiries, or inform himself of the facts in dispute...the courts have furnished relief."

A contract to show merchantable title to the satisfaction of a vendee's attorney does not mean the vendor has to suit the whim of counsel or has to meet arbitrary or capricious demands. Cities Service v. Viering, 404 Ill. 538, 89 N.E. 2d 392 (1949). Of necessity, therefore, a vendee is not bound by an attorney who has no firm opinion. Neither is a contractual condition of approval an invitation to induce a breach.

Before reviewing the evidence, plaintiff wishes to point out that this section is not meant to demean the advice which Mr. Beale actually gave the defendant. As it has never been produced, plaintiff has no idea what it actually was. Neither does it have any idea whether the

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* Restatement Contracts § 303.

"Where a certificate* * * is a condition* * * the condition is excused if [the person]* * *

b) refused to give the certificate because of collusion with the promisor* * *
d) fails to make a proper examination of the work
e) fails to exercise an honest judgment"

advice as given was consistently or ever followed by the defendant.

Plaintiff must of necessity limit itself to the advice of record. This advice was twice "followed" with a great show of reluctance (April 1949, August 1951, PX 8, III-78-79; T. 1540) and once rather pointedly ignored (December 1949, PX 8, III-149). It is not likely therefore that this was ever the real opinion that Mr. Beale submitted to the defendant.

Furthermore plaintiff views Mr. Beale's role, not as a disinterested attorney, but as an interested bargaining agent as the evidence will show. As such, he was not subject to either the obligations or immunities of an impartial attorney.

a. Scope and Validity

Mr. Beale was, by the terms of the agreement given the right to review the license, the two patents to Faitelowitz and Volpertas and the application of Rivoche to see if there was anything "fundamentally wrong".

Mr. Beale never rendered a formal opinion of disapproval of the license and indeed stated no opinion whatsoever in the three letters of his in the correspondence book (PX 8, III). Furthermore, of the many objections he had to the patents not one is based on a ground sufficiently substantial as shown to be included in the defendant's final arguments in the Patent Case No. 18899.

Preliminarily, it should be remarked that the grounds the Judge relied on for holding against the patents were not asserted by Mr. Beale because during 1949 and 1950 they did not exist and it would have been impossible to do so. Plaintiff here asserts that Judge Taylor's grounds were clearly wrong and therefore could afford defendant no excuse. The

matter is here covered, however, to merely forestall defendant from now asserting the judgment appealed from approves or ratifies Mr. Beale's acts in 1949. The Judge found Faitelowitz and Volpertas not infringed by defendant's commercial operation. During this earlier period defendant had no commercial operation and by its own admission (PX 9, 10, III) had, aside from what Mr. Templeton told them, no idea how to produce granules. Therefore, any opinion ventured by Mr. Beale as to infringement (or scope) would be necessarily speculative and therefore, as a matter of law, capricious and arbitrary.

The Judge found Rivoche invalid. The claims which he found invalid (No. 16 and 17 in suit) were not at the time Mr. Beale reviewed the case even in the application*. Again no opinion could be given regarding them.

Mr. Beale objected to the Faitelowitz patent because it was a "narrow improvement" patent (PX 8, III-78). He thought that Faitelowitz was anticipated some 20 years by "Renner" (PX 8, III-110). This would be a fundamental objection if substantiated. Since Mr. Beale did not have this patent to show to Mr. Edmonds even some two months after rendering his "opinion" (PX 8, III-78), we cannot now know what it disclosed if, indeed, it existed. Moreover, when answering the complaint some 10 years later, Mr. Beale was still unable to find the anticipating "Renner" or indeed, any pertinent prior art to Faitelowitz' two stage drying. Perhaps Mr. Beale had

* These claims were first submitted to the Patent Office on June 28, 1950 (PX 3, II-85).

reference to Remmers (DX 17, I-80). This patentee (1918) produced a "dry thread-like product" which is formed by, in order, skinning the potato under water, cooking, ricing and while still hot, drying by hot air. This completely fails to disclose the method, two stage drying, and understandably does not even assert it has a similar end product.

Of those few patents having to do with potatoes,all showed significantly different methods to produce granules and all were in varying degrees failures. The other patents concerning drying of starch, taro, beets, pumpkins, fruits could only be relevant to show no equipment or skill was lacking to produce Faitelowitz' invention. In short, the prior art convincingly shows, and plaintiff is indebted to defendant for collecting it, that the industry had worked hard and failed signally in discovering what Faitelowitz showed was so easy. Certainly there is nothing "fundamentally wrong" here. (DX 17, I).

Mr. Beale also purported to find the Volpertas add-back invention a mere narrow improvement patent (PX 8, III-78). Likewise, he was completely unable to substantiate this at trial 12 years later. Perhaps he seriously thought, as he asserted (PX 8, III-109), that Volpertas was entitled to only the 1942 date when it specifically stated it related back to an application filed in 1937. This ignoring of plain matters of record is not the finding of "fundamental errors", the parties had or the law has in mind.

With regard to Rivoche, Mr. Beale first opined that he had no opinion because it was still an application (PX 8, III-109) and concluded with the legal argument that defendant avoided infringement through some (as yet) unstated intricacies of the Boykin Act (PX 8, III-224). Here again, there is nothing "fundamentally wrong".

Any remaining doubts Mr. Beale had with respect to the scope and validity were apparently cleared up by Mr. Templeton in his visit during August 1949. Mr. Templeton stated (PX 8, III-130) that there was general agreement except for two terms of the license. If Mr. Beale ever disagreed with this interpretation he gave no indication of it either before or after the suit was filed except perhaps colaterally while cross-examining Mr. Templeton (T. 771).

Turning to the license, Mr. Beale evidently assumed Simplot would not have been interested had he known of the outstanding Bunimovitch license (PX 8, III-118). This can only be explained by the fact that he assumed Simplot (or Troxell) had never seen the patent because it clearly states on its face, "assignor of seventy five per cent to Marcos Bunimovitch" (PX 1, I-6). Beale went on to make the legally erroneous observation that one could not grant an exclusive license (a promise to grant no more) when there is an outstanding interest.

At a later stage, Mr. Beale took an interest in the royalty rate, apparently asserting that 1-1/2% was less objectionable than 3% (PX 8, III-131).

These were the objections of Mr. Beale which are contained in the record. Although numerous, there is not a single one of any substance. If indeed there was any point which defendant during 1949 could have held up as "fundamentally wrong" it consciously chose not to do so while it wore Mr. Templeton down without saying yea or nay.

b. <u>The Alien Property Interest</u>

There was one item Mr. Beale turned up which, if not a "fundamental" defect was undoubtedly a defect which would have prevented

a "marketable title". This defect was the vesting* by and continued ownership of the Alien Property Custodian (A. P. C.) of the Faitelowitz patent.

The A. P. C. interest was stated by Mr. Edmonds (PX 8, III-110) to be unknown to him at the time he drafted the agreement**. It was also undoubtedly unknown to Mr. Templeton until Mr. Troxell's letter arrived.

Had defendant chosen to rely unequivocally on this as a ground for terminating their performance plaintiff would not then or now complain of the fact. But if one thing is clear from the correspondence, it is that defendant did not desire to use this defect to terminate the negotiations.

The ownership of the patent was potentially destructive to the licensing scheme for several reasons. First, the legislation designed to return erroneously vested property was discretionary with the A. P. C., 50 U. S. C. App. § 32, 60 Stat. 50. Next, it erected as a

* The Vesting was pursuant to the Trading with the Enemy Act of 1917 as amended including the First War Powers Act, 1941. (50 U. S. C. App. § 1, 40 Stat. 411, 55 Stat. 839). Those Acts gave the Executive power to vest property belonging to residents of enemy occupied countries. As of October 23, 1943 (DX 16), the records of the Patent Office showed the owners of the patent Rivoche and Volpertas residents of France and Bunimovitch a resident of Belgium.

** There was and is no indication on the copies of the patent furnished by the Patent Office that the patent had been vested. The sole indications would be in the Federal Register at the time of vesting, October 20, 1943, and in the title records of the Patent Office.

condition that plaintiff prove that Dr. Rivoche while resident in France during World War II did not have enemy citizenship, that Volpertas had in fact arrived in the U.S. before December 7, 1941 and that Marcos Bunimovitch had emigrated to Venezuela before that date. This plaintiff eventually did (DX 16, I-41-44).

Despite the above disabling contingencies, Mr. Simplot, for reasons apparently valid at the time, elected to proceed. He proposed during a meeting with Mr. Templeton in August that his obligation to perform retroactively be conditioned upon the divesting (PX 8, III-118), which was, as pointed out, only his already acquired right.

By these acts the defendant has shown it did not desire to terminate performance based on the above "defect in title" but desired to proceed, making only such alterations as the situation required. For this reason, defendant should not be allowed by this Court to retroactively claim benefit of a condition they thought their benefit to waive at the time.

c) Drafting the Agreement

As a conclusion to this section plaintiff wishes to mention the prime reason both parties wished to enlist patent counsel on both sides to draft the agreements. There are widely used covenants and terms in patent licenses which are almost unique to that field. There are unique provisions for notice and recording, unique provisions for taxation of royalties both to the grantor and grantee and very stringent if ill-defined penalties for licenses which contribute to "patent misuse'br violations of the anti-trust laws.

Mr. Troxell testified at trial he had told Mr. Templeton at the March meeting that he had never had occasion to draw a patent license,

that he didn't know what was customary and he would need assistance of patent counsel.

This is in accordance with the undisputed testimony of all parties at trial but does not mean that the patent attorney could remake an understanding already reached.

D. The Statute of Limitations and Laches

Plaintiff's "Contract Case" Briefly Reviewed

Plaintiff's "Contract Case" was presented to the trial court as supported by alternative legal theories. The evidence adduced at trial supports the first alternative approach and it is urged on this appeal, without abandonment of the second and subordinate alternative.

Essentially, the first alternative is that an enforceable business understanding was reached in March of 1949 between duly authorized representatives of plaintiff and defendant in Idaho pursuant to which defendant was to go forward in due course with the production of dehydrated mash potato powder, in accordance with certain inventions, the rights to which were effectively controlled by plaintiff in the United States and in the light of certain business and technical know-how accumulated by plaintiff outside of the United States to be communicated to defendant, for all of which defendant was to pay. This alternative urges the existence of an enforceable business understanding.

For its second and subordinate alternative, appellant submits that whether or not the technicalities of classical concepts of contract law are fully met, certainly the record supports the conclusion that unless the courts intervene, appellee will have been unjustly enriched at appellant's expense.

The District Court thoroughly considered these alternative positions advanced by appellant. The Court's conclusion was that a general business understanding had been reached, but that an enforceable contract with all the technical niceties of offer and acceptance and meeting of minds had not been concluded by the parties and, therefore, relief had to be denied appellant. Realizing, however, that modern commercial

situations have added flexibility to ancient concepts of contract law, the court below ruled further that if the facts before it could be fairly said to evidence an enforceable business understanding nonetheless appellant must be denied relief because its claim was barred by the Idaho Statute of Limitations.

Passing to appellant's alternative theory of unjust enrichment, the trial court in its Memorandum Opinion indicated that this complaint was not without substantial merit. It concluded that appellee had indeed received something of value from appellant and, inferentially, that appellee could reasonably be expected to pay for value received. Once again, however, the court below concluded that the Statute of Limitations acted as an insurmountable bar to appellant's claim for relief. In these conclusions the District Court was in error.

The Statute of Limitations and the Commercial Realities of Templeton v. Simplot

The United States Supreme Court in Chase Securities Corp. v. Donaldson, 325 U.S. 304, 314 (1945) summarized the nature and object of Statutes of Limitations in language that bears full repetition:

> "[Statutes of limitation] represent expedients, rather than principles. They are practical and pragmatic devices to spare the courts from litigation of stale claims, and the citizen from being put to his defense after memories have faded, witnesses have died or disappeared, and evidence has been lost. . . They are by definition arbitrary, and their operation does not discriminate between the just and unjust claim, or

> the avoidable and unavoidable delay. They have come into the law not through the judicial process but through legislation. They represent a public policy about the privilege to litigate. Their shelter has never been regarded as what now is called a 'fundamental' right or what used to be called a 'natural' right of the individual. . . [T]he history of pleas of limitation shows them to be good only by legislative grace and to be subject to a relatively large degree of legislative control."

This statement is a clear distillation of human experience. It is a recognition that ultimate justice is better served if served promptly and that the possibility of inequitable results is greater as time passes, memories fade, and evidence is lost. The Legislature of the State of Idaho has decreed that actions to enforce oral agreements or to recover for unjust enrichment must be brought within four years of the time that these actions accrue. Though it would seem that this inflexible rule of law conflicts with the corresponding human experience of businessmen negotiating for commercial advantage, it is nonetheless a rule of law with which appellant is prepared to live. Analysis of the Statute, however, reveals that it possesses an inherent flexibility such that its application will not require businessmen to sue first and negotiate later or to assume a breach of contract rather than that those with whom they deal are prepared to negotiate in good faith. That flexibility is in determining when the Statute begins to run.

The whole history of the negotiations in this case distinguishes it, from the point of view of the application of the Statute of Limitations,

from those commercial contracts which contain provisions rigidly and inexorably triggering the Statutes of Limitation. Certainly the agreement here is not like a note possessing a specified schedule of payments. Nor is it like an insurance policy which contains its own limitations on the right of the insurance company to question the representations made to induce the issuance of the policy. Nowhere in the negotiations leading to the understanding here involved, nor in that understanding itself, is there specified that last act upon that last day which will begin the running of the Statute of Limitations. For that reason, in order to determine when the Statute began to run on appellant's claim for damages, resort must be had to the reasonable expectations of reasonable businessmen. This the Trial Court failed to do and this failure led it to error.

The Nature of the Dealings Between the Parties

The details of the negotiations leading to the business understanding between appellant and appellee, the nature of that understanding, and the actions of the parties taken in light thereof have already been documented. However, in order to determine whether or not appellant's claim is barred by the Statute of Limitations, a closer look must be taken at the performances expected of the parties pursuant to that understanding.

The essence of the agreement reached was that appellee as licensee under the patents owned by appellant and as the recipient of experience and know-how acquired by appellant through its own commercial activities would acquire a preferred position in an industry which has now grown to enormous proportions. Any of the details of performance this agreement was to require were left, in March 1949, to be worked out in conference between legal representatives of both appellant and appellee,

but nonetheless an agreement had been reached. The fact that certain details remained unsettled does not vitiate the force of the agreement reached. Rather than incurring the name of "destroyer of bargains", the law of contract permits "businessmen to record the most important agreements in crude and summary fashion". See Outlet Embroidery Co. v. Derwend Mills, 254 N.Y. 179, 183, 172 N.E. 462, 463 (1930); A.M. Webb & Co. v. Robert P. Miller Co., 157 F. 2d 865 (3 Cir. 1946). As was observed by the New Jersey Court of Errors and Appeal in 1947 in Mantell v. International Plastic Harmonica Corp., 141 N.J. Eq. 564, 55 A. 2d 250 (Ct. Err. & App. 1947), "An exclusive nation or region-wide arrangement for dealing in patent matters is a comparatively recent device to meet modern needs in the marketing and distribution of goods". In such cases it is not usually practical to fix prices and other detailed terms of the contract "and the rules of certainty and definiteness which govern the ordinary contract of sale have no application".

While certain of the specific details of the obligations undertaken by appellee were left for further negotiation and adjustment in the light of developing facts and circumstances, legal, technical, and economic, no such latitude was available to, or, indeed, needed by, appellant. Templeton was to supply Simplot with the best protected position he could assemble under the F-V-R patents, together with his know-how and other commercial experience. The eventual "price" Simplot was to pay for this necessarily and by agreement would be determined by the success of Templeton in securing to Simplot the practical effect of the protection promised.

Soon after the understanding was reached in March of 1949, appellee's counsel wrote to appellant's counsel reporting on the opinion

of Simplot's patent advisor as to the advisability of entering into a license under the patents here involved, in the following words (PX 8, III-78):

> "It was their opinion that the Volpertas and Faitelowitz patents are not basic patents, and that if not entirely invalid, they are so limited by prior art as to be of extremely narrow scope. It was also their opinion that the Rivoche patent application now pending cannot mature into a valid basic patent at this date and if eventually patented, it will be a patent of very narrow scope or invalid. The opinion further stated that Farmers Marketing and Supply Company, Ltd. cannot at present grant any license under the Faitelowitz patent since title thereto remains vested in the alien property custodian and that it will be necessary to (a) institute devestment proceedings and then (b) acquire the 75% Bunomovitch interest in that patent before an exclusive license thereon could be granted.
>
> * * *
>
> "It is apparent that further negotiations between the parties will be necessary."

Certainly it is apparent from this letter that the effectiveness of the patent rights involved was that area which "required further negotiation". It is equally apparent that the lack of legal title to the Faitelowitz patent could not be debated, but only cured by subsequent

action. With this single fact lies the crux of the defense of the Statute of Limitations and it is here that the trial court's error resides.

The Faitelowitz Patent and the Simplot License

The Faitelowitz patent is the Book of Genesis in the art of instant mash potato powder. In it for the first time were disclosed the phenomenon of two-stage drying and cell separation. Without it the large and profitable industry in which appellee now shares would not have been developed. As the trial court aptly characterized the Faitelowitz invention:

> "The first substantial contribution to the art of processing an instant mash potato powder was made by Arnold Faitelowitz in Paris, France, in the 1930s."

In the technical patent sense, Faitelowitz dominates all of the succeeding contributions that have been made, including those of Volpertas and Rivoche. As a result, a license under Volpertas and Rivoche without a corresponding license under Faitelowitz would have been worthless to Simplot if someone other than Templeton controlled the right to use the Faitelowitz disclosure. Since Simplot was bargaining for a protected position in an infant industry, his attorneys' complaint as to the uncertain status of title to the Faitelowitz patent was a serious one. Large license payments were not warranted unless Simplot could be assured that competition would not spring up and reduce his license in value or that he would not be forced to pay additional license fees to someone other than Templeton in order to make use of the Volpertas and Rivoche disclosures.

Although appellant was certain that he would eventually perfect his title to the Faitelowitz grant, it recognized and understood Simplot's hesitancy to commit himself to an inexorably fixed expense in payment for an all-too-unfixed bundle of rights. On the other hand, Simplot wisely did not want to go forward at the risk of infringement and injunction as he would have had to do had he abandoned his licensee position. In order to resolve these uncertainties, Templeton undertook successfully the unexpectedly long, arduous and expensive task of perfecting his title to the Faitelowitz patent.

The Faitelowitz Patent and the Alien Property Custodian

Certain emergency war powers were given to the President under the Trading with the Enemy Act, 50 U. S. C. App. § § 1-40. Some of these powers were thereafter delegated to the Alien Property Custodian by Executive Order 9095 dated March 11, 1942. In part, the Executive Order reads as follows:

> "The Alien Property Custodian is authorized * * * to take such action as he deems necessary in the national interest including * * * the power to * * * vest * * * any patent * * * or right thereto in which any foreign country or national thereof has any interest whatsoever and * * * any interest of any nature whatsoever held therein by any foreign country or national thereof."

While the power to appropriate property was not limited to property belonging to enemy aliens, Saragin v. Wright Aeronautical Corp., 54 F. Supp. 244 (S. D. N. Y. 1944), aff'd. 162 F. 2d 960 (2 Cir.

1947), it was obvously designed for that purpose. It was not the practice of the A. P. C. to confiscate the property of friendly aliens, Becker Steel Co. of America v. Cummings, 296 U. S. 74 (1935). A state of war, however, precludes the possibility of an adequate investigation into the background of every suspected enemy alien. Errors are occasionally made as they were in the case at bar.

It becomes apparent, from the order vesting the Faitelowitz patent (DX 16, tab 3, I-33) that at the time of vesting the A. P. C. was proceeding under clear mistakes of fact. The vesting order makes clear that the Government believed Bunimovitch on October 30, 1943 to be a resident and national of Belgium; Volpert to be a resident and national of France; and Rivoche to be a resident and national of France. The facts were that Bunimovitch had returned to Venezuela, of which he had been a citizen since 1925; Volpert was a national of Lithuania and resident in New York; and Rivoche, though resident in France, was a national of Latvia. These mistakes of fact, however unfortunate from appellant's point of view, had no effect on the A. P. C. 's title, see, e. g., In re Sielcken's Estate, 167 Misc.327, 3 N. Y. S. 2d 793 (Surr. Ct. 1938); Clark v. Tibbets, 167 F. 2d 397 (2 Cir. 1948), but they did assure appellant of the virtual certainty of reacquiring title after completion of the necessary procedures.

As the Act specified, 50 U. S. C. App. § 12, the A. P. C. is vested with all the powers of a common-law trustee, and though perhaps not answerable for breach of trust to the owner of the beneficial interest, the Act is explicit in its division of rights. There has been recognition of this division of rights by the courts, for example in Ruoff v. C. I. R., 277 F. 2d 222 (3 Cir. 1960) which indicated that complete title in the

property in question vests in the government only after completion of an unsuccessful divestment proceeding brought by a claimant. Moreover, it should be noted that the A. P. C. 's title, until divested, is complete even to the right to recover for infringement prior to seizure, Saragin v. Wright Aeronautical Corp., supra.

There can be no doubt that, in view of the vesting, a suit by appellant for infringement of Faitelowitz would have been met, prior to divestment, with a complete defense of lack of legal title. It is equally clear that the arrangement Templeton made as the beneficial owner of Faitelowitz with appellee was in no way compromised as valid and valuable consideration by the fact of vesting. What that fact did was to make the value of the arrangement to Simplot speculative of assessment in dollars and cents.

Recognizing that hostilities eventually end and that administrative agencies under emergency conditions are prone to error, the Act provides its own exclusive remedial provisions. Section 9(a) of the Act provides for suit to recover the property vested. The spirit of the law as it is particularly relevant to this proceeding was noted by the Supreme Court in Becker Steel Co. of America v. Cummings, supra:

> "Section 7 of the Trading with the Enemy Act conferred on the A. P. C. authority summarily to seize property upon his determination that it was enemy owned, and such seizure was lawful even though the determination was erroneous. Central Union Trust Co. v. Gawan, 254 U. S. 554; Stoehr v. Wallace, 255 U. S. 239; Commercial Trust Co. v. Miller, 262 U. S. 51. But

> in thus authorizing the seizure of property as a war measure, Congress did not attempt the confiscation of the property of citizens or alien friends. See Henkels v. Sutherland, 296 U.S. 301. Instead, by § 9(a), it gave to the non-enemy owner the right to maintain a suit for the recovery or the seized property or its proceeds, and at the same time by the all-inclusive language of § 7(c) it denied to him any other remedy." 296 U.S. at 76.

It is thus clearly evident (1) that from October 20, 1943 to May 11, 1956 the United States Government held legal title to the Faitelowitz patent; (2) that appellant from 1949 to 1956 was the beneficial owner (through assignments from Rivoche and Volpert) of at least 25% of that patent; (3) that the fact of vesting would have defeated any infringement suit brought by Templeton prior to May 11, 1956; and (4) that as beneficial owner Templeton could validly deal with appellee about the patent in March 1949.

When Could Templeton First Have Effectually Sued on the Understanding

The basic rule is that a cause accrues when a breach occurs. Galumbeck v. Suburban Park Stores, 214 F. 2d 660 (4 Cir. 1954), Barlow v. Collins, 166 C.A. 2d 274, 333 P. 2d 64 (1958). This breach can occur only after a party has a duty of immediate performance. Camenisch v. Allen, 158 Pa. Super 174, 44 A. 2d 309 (1945), Restatement of Contracts § 312. It is plaintiff's position here that obtaining good title to the Faitelowitz patent was a condition precedent to creating in defendant an immediate and inescapable duty to perform.

Any of defendant's acts inconsistent with its status as licensee before 1956 when plaintiff secured full legal title were therefore in the nature only of anticipatory breaches. The law is clear that where there is an anticipatory breach, the injured party has the option to hold fast to the contract, Compania Engraw v. Schenley Distillers, 181 F. 2d 876 (9 Cir. 1950). When the injured party so elects to rely on performance, the Statute begins to run only when performance is due. Main v. Hopkins, 229 S. W. 2d 820 (Tex. Civ. App. 1950), Restatement of Contracts § 322.

From what has been said previously it is clear that appellee would have had, prior to May 1956, not only a defense to any action for patent infringement instituted by appellant, but also to an action on the agreement in that until that date Templeton had not completed his performance and the value thereof could not be ascertained. It is hornbook law that to state a claim for breach of contract which will successfully withstand a motion to dismiss, it is necessary for a plaintiff to allege that he has performed all of the provisions of the contract by him to be performed.

The spirit of the agreement between appellant and appellee as initially memorialized in the "Heads of Agreement" was clearly that Templeton would do all in his power to guarantee to appellee the commercial advantage of an exclusive license and would undertake to frustrate the emergence of unlicensed competitors. Certainty of reaching this objective would require reacquisition of the legal title which at the time the agreement was made was held by the A. P. C. Thus, though a valuable commercial agreement which met in law all of the requirements of a contract was made in 1949 between appellant and appellee, its very nature

precluded suit for enforcement until certain procedural steps were completed. It certainly cannot be a proposition of law that a contract is invalid because at the time of its making it was subject to certain procedural infirmities when those infirmities were contemplated by the contracting parties. The status of the Faitelowitz patent was made known to appellee prior to the making of the contract and the only logical conclusion is that the commercial value of the agreement to the appellee outweighed future contingent difficulties. To conclude otherwise would be to sanction appellee's insistence on all the benefits of a license under and the entire profit on the operation of a process, the rights to which are clearly in appellant, without the necessity of paying any tribute whatsoever.

As one court has put it the cause accrues and the Statute begins to run when the party may rightfully sue. Muer v. Shick, 188 Okl. 331, 108 P. 2d 544 (1940). Implicit in this axiom is the added stipulation that the statute begins to run when an action could have been successfully maintained. That is to say that the Statute of Limitations begins to run, absent some statutory provisions to the contrary, only when a remedy is actually available for the wrong alleged to have been committed. There is no better statement of this than that in Penns Creek Municipal Authority v. Maryland Casualty Co., 120 F. Supp. 549 (M. D. Pa. 1954), where the Court said at page 550:

> "The general rule is well stated in 54 C. J. S., Limitations of Actions, § 109, as follows: 'In general a cause or right of action accrues, so as to start the running of the statute of limitations, as soon as the right to institute and maintain a suit arises, or when there is a demand capable of

present enforcement, or when there is a remedy available; and whenever one person may sue another a cause of action has accrued and the statute of limitations begins to run, but not until that time. So, whether at law or in equity, the cause of action arises when, and only when, the aggrieved person has the right to apply to the proper tribunal for relief. The statute does not attach to a claim for which there is no right of action, and does not run against a right for which there is no corresponding remedy or for which judgment cannot be obtained. The true test, therefore, to determine when a cause of action has accrued is to ascertain the time when plaintiff could first have maintained his action to a successful result, regardless of the time when actual damage results; the fact that he might previously have brought a premature or groundless action is immaterial. ***'".

As the facts of this case developed, defendant's duty to pay royalties became based on a dual contingency. The first contingency occurred in 1951 when it began granule production. The second contingency was the perfection by plaintiff of its "licensing rights" in the Faitelowitz patent. The latter occurred in 1956, within four years of filing this suit.

Estoppel

Another reason exists for denying to defendant the refuge of the Statute of Limitation. A series of acts of defendant, which the trial court implied singly or collectively might amount to a renunciation of the

understanding, were, plaintiff submits, done as a part of the performance thereof and rather raise an estoppel to plead the Statute in consequence.

Thus, following his appointment as plaintiff's agent in the United States, Mr. William Scott promptly contacted defendant to ascertain its interest (PX 8, III-178). He received a negative written reply from Mr. Jones (PX 8, III-179), but an evidently quite different oral reply from Mr. Simplot (PX 8, III-182-181). During the next year defendant's patent attorney Mr. Beale continued his meetings with plaintiff's attorney (PX 8, III-197). Defendant consciously sought to keep alive the illusion that all of Mr. Beale's stated objections were made in good faith and that Mr. Simplot would sign a license as soon as Mr. Beale approved (PX 8, III-199-200). Mr. Simplot met with Mr. Scott both in Caldwell (PX 8, III-198) and in Minnesota in 1951 to further discuss the license (T. 1537). While there he had a lengthy discussion with his patent attorney Mr. Beale who again dissuaded him from signing a license agreement (T. 1540). In the spring of 1952 there was another meeting in Boise between several producers, including defendant, and Messrs. Templeton and Scott. These negotiations included not only relations between the parties, but the progress of the Royalty Adjustment proceedings then pending between Templeton and the U. S. Army (T. 1542-44). Even more important is the fact that <u>after</u> plaintiff perfected its title to the Faitelowitz patent, Mr. Beale resumed his meetings (PX 8, III-224) with plaintiff's attorneys to negotiate a license (PX 8, III-223).

These facts do not indicate a breach of the understanding as the trial judge felt. Rather they indicate a continued course of conduct with the apparent purpose of carrying out the obligation of that

understanding to negotiate an express written license.

The relevant legal principles are both plain and of long standing. One may not hold out the hope of settlement to induce delay, and then plead this delay as a defense to the action when brought. Thompson v. Phenix Ins. Co., 136 U.S. 287, 300 (1890).

To cite but two other examples, one may not continually, when requested to pay, promise to execute a note for land and then plead the Statute. Douglas v. Douglas, 199 Okl. 519, 188 P.2d 221 (1947). Here this court should find defendant's continuous negotiations evidence that it in fact recognized an obligation and promised to perform (e.g. "Our deal on granulars", 8 August 1951, PX 8, III-201).

One may not state that the present controversy will be settled by the outcome of another case and after delay plead the Statute. Adams v. Cal. Mut. Building & Loan Ass'n., 18 C.A. 2d 487, 116 P.2d 75 (1941). The Court should here find that defendant was merely using the proceedings before the Royalty Adjustment Board and Mr. Beale's "advice" as foils to buy time.

For these reasons the Court should find defendant by its own conduct from 1951 to 1956 estopped to plead the Statute of Limitations.

Unjust Enrichment

All that has been said about the application of the Statute of Limitations to plaintiff's first alternative, that the understanding of March 1949 was one enforceable at law, is equally applicable to plaintiff's second alternative, that defendant had received benefits for which it should have, but has not, paid.

The full measure of the value of those benefits was unascertainable until the matter of the Faitelowitz title had been determined. The dalliance leading to estoppel is the same. The period, four years, of the appli-

II. The "Patent Case"

A. The Faitelowitz Patent

1. The Issue Presented

Claim 1* of the Faitelowitz (PX 1, I-6-7) recites [typographically broken down for convenience of analysis]:

"1. A method of reducing potatoes and other starch-containing vegetables to the form of a dry powder in which the starch is preserved in its initial form which comprises

[a] cooking the vegetables at a temperature which must not substantially exceed 100°C.,

[b] cutting the cooked vegetables into small pieces,

[c] partially drying the pieces, at a temperature which also must not substantially exceed 100°C. until they have lost at the most about 60% by weight of their initial water-content,

[d] reducing the partially dried pieces to the form of a moist powder and

[e] further drying the moist powder, at a temperature which must not greatly exceed 80°C., until it has a water-content of approximately 10-15% by weight."

The trial judge did not question the validity of this claim; the sole basis on which he refused plaintiff's demand for damages for its infringement was his view that what transpires in defendant's plant between

* The other claims in suit were claims 2 and 4-8, all expressly dependent upon claim 1.

the cooking and final drying of the potato cells which had already been separated into a moist powder is not enforceably claimed by the two steps:

> [c] partially drying the pieces, at a temperature which also must not substantially exceed 100°C. until they have lost at the most about 60% by weight of their initial water-content,
>
> [d] reducing the partially dried pieces to the form of a moist powder* * *.

In defendant's plant peeled cooked potato pieces were taken, either with or without preliminary mashing, to mixers (T. 82-84, 391). These mixers, illustrated at (2) in PX 6, II-182, combined the cooked potato and added-back previously processed granules to form a moist powder of about 35% moisture.

One model of these mixers is shown in two photographs (DX 47(b), III-177, 178). This mixer, located in defendant's Caldwell, Idaho pilot plant, was used at an inter-partes demonstration during the trial. The first picture, where the mixer is empty, clearly shows defendant's expert, Kueneman, pointing out the heavy rotating shaft with protruding prongs; the second shows the cooked potato and dry granules as they are mixing and combining to form a moist powder.

2. A Reviewable Error

As Judge Taylor noted in his opinion, the parties are in substantial agreement on what defendant's process is (99 R 74). In plaintiff's view, the Judge's error to be corrected here derives, not from any factual finding, but from incorrectly assessing the legal effect to be given the Faitelowitz claims.

The trial judge initially misreads a direction to dry at less than a certain temperature as a direction to dry by heat (99 R 104). He goes on to state that defendant's process is "contrary to" rather than an improvement upon the Faitelowitz two-stage drying process (99 R 104). He observes incorrectly that the two-stage drying process is an "unpatentable principle" (99 R 105).

Lastly, he correctly observes that Faitelowitz' actual method was crude and commercially impractical (99 R 105). Alexander Graham Bell's telephone when he patented it was also crude and commercially impractical. Telephone Cases, 126 U.S. 1, 535 (1887). Both Fàitelowitz' and Bell's inventions depended on the improvement of others to enable them to become the foundations of great industries. The Judge's error here was in concluding that one escaped the legal consequences of infringement of the underlying generic invention by using the specific improvement of another (99 R 77).

His errors are clearly reviewable since they are based on assumed legal standards, not experience with human conduct, which was stated to be a ground for review in Lundgren v. Freeman, supra. That decision reaffirmed this Court's earlier opinion in Kwikset Locks v. Hillgren, 210 F. 2d 483 (9 Cir. 1954), that where , as here, the record clearly indicates the nature of the various inventions and the alleged infringing process, the question of infringement is one reveiwable by this Court.

3. TheTemperature Statement in Limitation "[c]"

The Judge correctly observed that the intial drying stage, limitation [c], was all important (99 R 76). His error lay in not giving effect to the inventive novelty impolicit in that very statement. That novelty was the direction to carry that stage of drying only about half

way down and produce a moist powder to be then further dried (T. 208) not the statement that this initial drying should be done "at a temperature which also must not substantially exceed 100°C." This statement was a correct one of a precaution needed to avoid scorching or "case-hardening" the potato (T. 208). It is a precaution which defendant has invariably observed.

The trial judge apparently assumed that the presence of a temperature statement in limitation [c] required him to hold that Faitelowitz claim 1 could be infringed only by initial drying carried out by heating. His opinion is unclear as to whether he considered this interpretation a necessary one as a matter of language or as imposed by the file wrapper history or for the purpose of avoiding prior art. This unclarity appears from his comments both about principles and about equivalents (99 R 76-77).

It is plaintiff's position that his interpretation is wrong and a fortiori not a necessary one on these or any grounds.

If carrying out the initial drying by a heating method was the true novelty in the Faitelowitz method of producing granules; if others had proposed other methods of initial drying and these methods had failed; then the Judge could have been correct in assuming Faitelowitz' invention was limited to initial drying by heat. The evidence is overwhelming to the contrary. All methods of drying without the intermediate production of a moist powder had been tried and had failed. It was the suggestion that the drying be two-stage drying with the initial drying by any method which worked the revolution in the industry.

The text of limitation [c] will not support the trial judge's view. It merely requires "partially drying the pieces, at a temperature

which also must not substantially exceed 100°C." By any canon of documentary interpretation this leaves open the manner of the drying so long as (1) it is only partial and (2) the temperature of the product does not "substantially exceed 100°C." As such it is merely a direction not to scorch the potato and it is germane to ask why it is in the claim at all.

There is no easy answer to this question. As this case illustrates, every statement in a claim invites misconstruction. However, elimination of accurate statements is not without an equal danger. There is the troublesome doctrine that one should not claim inoperative species or methods. If an applicant discloses that initial drying over a certain temperature will produce a worthless product, he should in effect disclaim this region. This Faitelowitz did.

There is no dispute that Faitelowitz, in his Paris laboratory, actually used hot air initial drying. His direction to cut the cooked potatoes "into small pieces" indicates this. And this was the common method of drying in the one-stage production of such products as dehydrated potato dice. However, his claim makes no requirement of hot air or any other heating step. A strong blast of cold dry air would work as well, if possibly slower and more expensive. It is common knowledge that the housewife's wash drys in the winter wind though frozen. However much more expensive such a method would be, it would also be a literal infringement of claim 1 which requires only that the potato be dried at less than 100-105"C.

The problem, if any, here is not really one of the "Doctrine of Equivalents" as the Judge assumed (99 R 77) since the language of the claim is literally met by any process which partially dries at less than 100°C. Defendant has admitted that it performs its initial drying at well

below 100°C. or 212°F. (T. 83).

The only conceivable problem here is whether a patentee who fails to disclose any particular type of drying as requisite for a partial drying step and claims drying generally for the step is entitled to coverage of all types of drying, or, mor particularly, of the particular type of drying defendant actually uses in its partial drying step. There is no evidence that the moist powder which is the distinguishing intermediate product of the Faitelowitz invention cannot be produced by a partial drying of any sort that does not overheat the product. On such sort of partial drying is the add-back method. Its amazing suitability for performing Faitelowitz' partial drying step was the discovery, not of Faitelowitz himself, but of his co-worker, Volpertas.

A brief review of the elementary physics of the different sorts of drying may be helpful.

Where drying is accomplished by evaporation, as in hot air or in the winter wind, the water vapor passing from the material to be dried into the atmosphere is carried away from the air immediately surrounding the material by the draft leaving unsaturated air ready to receive more water vapor as it evolves (T. 1182). In still air, the surrounding atmosphere soon reaches saturation and can receive no more water vapor, at which point drying stops. Hence, the first requirement is removal of the water vapor.

Heat enters the mechanism only as a means of speeding up the rate of evolution of the water vapor and in determining how much water vapor is required to saturate the surrounding air. Hot air will hold more water vapor than the same quantity of cold air. Nevertheless, at all temperatures here involved, saturation is easily reached and when reached drying stops until a draft removes the saturated air (T. 1182).

Drying of a particular mass of material can also be accomplished without any evaporation taking place by transfer of a part of the moisture in that mass to a different and drier mass with which it is brought in contact. The homely bath towel and blotting paper both act in this manner. So does add-back.

One of the difficulties of drying pieces of material by evaporation is that it is a surface phenomenon and the moisture in the interior of the piece has to come to the surface before it can pass into the surrounding atmosphere (T. 207). Cutting a big piece into little pieces, of course, increases the surface and hence facilitates evaporation. Blotting, too, is a surface phenomenon, but the mixing that accompanies the add-back causes the surface cells to become separated as damp powder as soon as they reach the requisite partial dryness and so new wet surface to be blotted is constantly being exposed (PX 11, Tab 54, III-304).

As defendant has shown in its efforts to invalidate the Volpertas patent, the adding back of an already dehydrated portion of the same or different vegetable as an aid in dehydrating a fresh lot was known for a number of years before Faitelowitz and Volpertas both.

For example, one Carl Steffen obtained a French patent (DX 17, I-163-170) on a dehydrated potato animal fodder. He performed an initial drying step by add-back to avoid agglomeration. The added back portion was already dried potato, dry draff from breweries, or the residue of sugar beets.

> "...by this method the cut up potato which formerly was very moist and glutinous, has become at the end of a few minutes. . . a material which. . . can be exposed to higher temperatures." (p. 165)

Thus, there is no reason in law or fact why the use of add-back as the selected method of partial drying does not literally meet a process step stated simply as "partially drying the pieces at a temperature which also must not substantially exceed 100°C." Its use is an infringement of Faitelowitz' claim 1.

4. Was Faitelowitz' "Principle" Unpatentable

a. Admission Against Interest

The District Judge unequivocally found that defendant "uses the Faitelowitz two-stage drying principle" (99 R 74). He immediately proceeded to the error of misreading the Faitelowitz patent to conclude that it is "drying by heat in the first stage" which "Faitelowitz teaches". We have already exposed this error fully. We underline it by quoting from Faitelowitz himself:

> "Any suitable drying apparatus may be employed for partially drying the pieces of potato* * *." (PX 1, I-7, col. 1, line 22).

The issue now before us is the legal one, whether the Faitelowitz two-stage drying process requiring the production of the intermediate product, a moist powder, is within the class of "unpatentable principles", as the courts have defined them. This issue is largely one of semantics. It apparently stems from the fact that Mr. Templeton testified that everyone in the industry including defendant uses the Faitelowitz "principle", but not his "method" (T. 204), because all use the add-back method which assuredly Faitelowitz does not disclose.

Defendant below repeatedly asserted that this testimony was an admission against interest. That the trial judge, without explicitly

agreeing, may have been influenced by this argument is shown by his inclusion of a quotation from the Templeton testimony to this effect in his Opinion (99 R 77).

Had Templeton been an American patent attorney instead of an English food processor, this "admission" argument might have some validity. As it was, he used common English words in a perfectly apparent context.

By way of example, he might equally have said to a person who was familiar with neither the telephone nor the radio that a radio uses the Bell principle of voice transmission, but not the Bell method, wires. Clearly the radio infringes on (uses) Bell's invention of turning audible sound into electrical impulses and later turning the impulses back into audible sound.

If plaintiff's case rested equally on playing word games, it might choose to assert that, as defendant used the principle, it infringed, citing Del Francia v. Stanthony Corp., 278 F. 2d 745 (9 Cir. 1960). There Circuit Judge Jertberg held the defendant not guilty "because the principle of appellant's device has not been appropriated by the appellee". Clearly, he meant that there was a substantial difference in mode of operation between the patent's and defendant's charcoal broilers.

b. Patenting a Result

The opinion of this Court in the Del Francia case shows that the assumed term of art "patenting a principle" has a variable content. There appearsto be two main contexts in which the term is used. The Faitelowitz patent and its infringement are outside either area.

First, there is a clear rule that one cannot patent a mere

result. It was in this sense that this Court in the case cited by Judge Taylor (99 R 77) ruled as to Marx' process patent:

> "***he did not, and could not, patent a principle." Kemart Corp. v. Printing Arts, 201 F. 2d 624 (9 Cir. 1953).

There the patentee had discovered a specific method of making half tone photographic negatives by using ultra-violet light. The defendant also made half tone negatives, but by using quite a different type of light. Judge Bone correctly observed:

> "The use of 'ultra-violet light only' as claimed is, by appellee's own assertions, the heart of the alleged invention of Marx. The problem is whether these claims can be said to include a process using visible light only to expose the negative in the dot-eliminating exposure. We think they cannot.
>
> "* * *A finding of infringement here would be tantamount to a finding that two dissimilar machines, which operate in an entirely different way, are equivalents because the same kind of energy used to operate one is used to power the switch of the other. The ultimate results, i.e., the finished negatives of the two processes are alike, but similarity of result is not sufficient to show infringement." 201 F. 2d 624.

From the very earliest the law has been clear that merely to establish that a defendant reaches a patentee's result is not enough to establish an infringement. Chief Justice Taney stated in Carver v.

Hyde, 16 Pet. 513, 519 (U.S., 1842):

> "Now the end to be accomplished is not the subject of a patent. The invention consists in a new and useful means of obtaining it."

What then is the end result or function of the Faitelowitz invention that would not be patentable per se? The end to be accomplished is a readily reconstitutable mashed potato product.

What Faitelowitz did invent was a distinctive method or process for producing such a potato product. The characteristic of this process was defined by him in limitations [c] and [d] of his claim 1. The key feature is the production of a moist powder as an intermediate product.

It is this process, a clearly patentable process, which defendant literally uses.

c. Patenting a Law of Nature

A second sense in which the statement against patenting principles is used is to express the prohibition against patenting a law of nature.

A law of nature is an observation about natural phenomena. In popular terminology, it becomes a law, not when it is first observed, but when someone first logically describes what he sees as a relationship between cause and effect.

> "A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right." Le Roy v. Tatham, 14 How. 156, 175 (U.S. 1852).

Mr. Justice Douglas further developed this thought when he stated:

> "* * *[L]aws of nature [are] free to all men and reserved exclusively to none. * * * If there is to be invention from such a discovery, it must come from the application of the law of nature to a new and useful end." Funk Bros. Seed Co. v. Kalo Co., 333 U.S. 127, 130 (1947).

At times, of course, a useful application of a newly-disclosed "law of nature" may be obvious or merely a rephrasing of the statement of the "law". Funk Bros., supra, was held to be such a case. This case is different in that, once the discovery is stated, the useful application of it claimed by Faitelowitz is still not obvious.

A relatively minor "law of nature" or observation of a natural phenomenon is contained in the third paragraph of the Faitelowitz patent (PX 1, I-6, col. 1, line 18).

> "It has been determined by microscopical comparison of the structure of the starch contained in a dish prepared from a known potato or like powder with that of the starch contained in dishes prepared from fresh vegetables that in the first case the greater part of the starch is in the hydrated gelatinous form (i.e. the walls of the starch cells or granules have been ruptured) whereas the opposite is true in the other case. The differences in taste and consistency are directly due to these facts."

Faitelowitz was not even the first to discover this minor law. Cooke (PX 2, I-208) stated in 1905:

> "The maintenance of the intact condition of the cell walls of the majority of the cells of the potato is substantially necessary for the present process. If on the other hand, the cell walls are crushed or injured in the preliminary treatment the addition of water to the dried product will produce a mucilaginous starchy mass, which is entirely inedible."

If Faitelowitz had stopped at this point and merely described and claimed as his invention a dehydrated potato which tasted better because it had fewer broken cells, he would have truly had attempted to "patent a principle". But he did not do this. Instead, he disclosed and claimed for the first time a new and useful means of obtaining its benefits, namely, the method of two-stage drying with the production of the intermediate product, a moist powder.

In the recent case of National Lead Co. v. Western Lead Products Company, 324 F. 2d 539 (9 Cir. 1963), such a situation was presented to this Court. The plaintiff contended that its patentee was the first to discover that

(a) in the product of a certain known process two crystalline forms of a lead oxide component are present

(b) the temperature affected the relative proportion of the forms

(c) the temperature controlled the particle size

(d) a certain temperature range would produce a predetermined product.

Judge Jertberg correctly observed that these discoveries without more would be unpatentable discovery and quoted with approval from a Seventh Circuit opinion at 541:

> "It is one thing of course to discover a scientific fact, a law existing in nature, and quite another to invent a means of making that discovery useful."

In the National Lead case, this Court found the useful process disclosed and claimed by the patentee to be obvious from the unpatentable "scientific fact" itself. The trial judge did not find that the Faitelowitz two-stage drying and intermediate moist powder product were obvious, but, instead, stated that:

> "The first substantial contribution to the act of processing an instant mashed potato powder was made by Arnold Faitelowitz in Paris, France, in the 1930's." (99 R 98).

What Faitelowitz did after stating the scientific fact was to go on to describe and claim a specifically new process to take advantage of that scientific fact or the "principle" or "law of nature".

In doing so he conformed precisely with the dictates laid down by Mr. Justice Grier in his concurring opinion in O'Reilly v. Morse, 15 How. 62, 132 (U.S. 1853):

> "The mere discovery of a new element, or law, or principle of nature, without any valuable application of it to the arts, is not the subject of a patent. But he who takes this new element or power, as yet useless, from the laboratory of the philosopher, and makes it the servant of man; who applies it to the perfecting of a new and useful art, or to the improvement of one already known is the benefactor to whom the patent law tenders its protection."

The Supreme Court there held the Morse Telegraph patent valid and infringed. However, the Eighth Claim for

> "* * *the use of electric current* * *for printing letters at any distance* * *"

about which both the Justice and the Court were concerned and both characterized as an attempt to patent a "law of nature" was actually unpatentable but as its words show, was so because it was an attempt to patent a result. This completes the circuit and ends this subject.

5. Avoiding Infringement by Using an Improvement

The District Court did not say that defendant avoided infringement of Faitelowitz because it was using the improvements of Volpertas and Rivoche. What he did say was that add-back was "contrary to" the method employed by Faitelowitz (99 R 77), without specifying the method

employed by Faitelowitz.

If the trial judge meant that the add-back process which defendant uses is "contrary to" a two-stage drying process producing a moist powder intermediate product, he is factually clearly erroneous. Add-back, a particular method of initial drying, is merely one of the possible initial drying processes.

The trial judge may have meant that add-back was "contrary to", that is, did not involve, the hot air initial drying actually used by Faitelowitz in his experiments. Here he would have been factually correct, but the observation would have no legal relevance. Actually, the Faitelowitz patent nowhere mentions "hot air". It only calls for performing the initial drying stage by any suitable means so long as the temperature of 100°C. is not exceeded and an intermediate moist powder product is produced.

The evidence is clear that drying a conventionally-cooked potato mass by exposing it to hot dry air and drying it by admixing it with already-dried particles were both known. Within the purpose of the general Faitelowitz directions to partially dry, both are embraced and neither is "contrary to" the other.

Plaintiff contends that literal infringement in this respect of the claimed recitation of the partial drying step exists. It does not need and therefore does not seek to have this Court, through legal construction, give the words other than their plain English meaning. However, plaintiff would remind this Court of the rule that the liberality of construction to which a patent is entitled is in proportion to the importance of the invention, Westinghouse v. Boyden, 170 U.S. 537, 561 (1879).

Obviously, Faitelowitz' invention does not rank in importance to mankind with the telephone or the airplane or the sulfa drugs. This does

not disentitle it to consideration under the "pioneer" rule. The touchstone is the importance of an invention to its own industry. As the Supreme Court said in Hobbs v. Beach, 180 U.S. 383, 399 (1900), when referring to the patent there in suit:

> "* * *while the patent is not a great one, we are not speaking too highly of it in calling it a pioneer in its limited field* * *".

To the American G.I. who went through World War II (but not Korea) on the old dehydrated potato this invention was indeed a pioneer. To the Idaho potato farmer for whom this invention opened vast new commercial markets, this invention was indeed a pioneer. To the potato processors all over the country who built great industries on this invention, it was also a pioneer.

6. Summary

For the reasons already stated, this Court should set aside Findings XV, XVI, and XVII and Conclusions II and III and reverse the Judgment of non-infringement of the Faitelowitz patent on the ground that there is literal infringement of steps [c]* and [d] of its claim 1.

Judge Taylor did not specifically rule on whether defendant's process came within the other recited steps of the claim.

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* The contention was raised below that as defendant's potatoes were at only about 35% moisture when they left the ribbon mixers, its process somehow avoided the 60% recitation in limitation[c]. This is bad logic as it confuses the sequential position of the recited moisture content in the process as a whole. Steps [c] and [d] say together that the potatoes must be reduced to a moist powder at no less than about 50% moisture, not that they must be removed from a ribbon mixer at no less than 50% moisture. If defendant's potatoes were still unreduced to moist powder at moistures as low as even 49%, we feel confident defendant would have chosen to enlighten the trial court on this point.

Plaintiff, however, urges that the undisputed evidence will allow this court affirmatively to find infringement of every other step. Referring to the claim text (p. 80 , supra), there is undisputed literal infringement of steps [a] and [e].

The only other step is [b]:

"cutting the cooked vegetables into small pieces".

Faitelowitz' obvious purpose of cutting into small pieces was to hasten evaporation (T. 208). The defendant also chose not to dry the entire uncut potato. Rather, it thoroughly disintegrated the cooked potato pieces while partially drying by mixing with the added back powder. This is certainly the equivalent of, if not the literal step of, "cutting into small pieces". This equivalency had been recognized as early as 1907 by Steffen (DX 17, I-164) who then stated:

> "a smaller quantity of dried slices of potatoes (in any form of cut, either in slices, rounds, or in mashed form)".

This court should hold the Faitelowitz claims valid and infringed by defendant.

B. The Volpertas Patent

1. The Issue Presented

The Court below adjudged that defendant did not infringe either claim 3 or claim 7 of the Volpertas patent No. 2,355,670 (PX 2, I-41-44). Claim 7 recited [typographically broken down for convenience of analysis]:

> "7. The process of preparing potatoes in powdered form, which includes all of the constituent elements

of the potato other than water and which is capable of being converted into mashed potatoes by the simple addition of hot liquid, which process consists in

[a] cooking potato pieces in an environment of steam at a temperature of substantially 100 degrees C.,

[b] thereupon pre-drying the potato pieces in the absence of mechanical pressure thereon until the initial weight of the potato mass has been reduced by about one-half due to the loss of water,

[c] cooling the potato mass,

[d] mechanically converting the same into a moist powder,

[e] drying the moist powder under moderate heat and stirring in vacuo until the water content of the powdered potatoes is down to about 12 to 15 percent,

[f] collecting the potato powder thus prepared to a substantial bulk and

[g] continuing the heating thereof until the water content is reduced to between 6 and 10 percent."

Claim 3 is of narrower scope in requiring a specified degree of cooling.

As shown by his Memorandum Opinion (99 R 78-82), Judge Taylor reached his decision that claim 7 (and a fortiori claim 3) was not infringed solely from a consideration of PX 2 which contains the Volpertas

patent, the files of three Volpertas applications, and the prior art. The trial court's ruling is grounded ultimately in his belief that the Volpertas claims in suit do not cover an add-back process. The court below approached Volpertas in this way because plaintiff consistently asserted that Volpertas was the inventor of the add-back improvement to the two-stage drying through a moist powder intermediate product method earlier invented by Faitelowitz, that this add-back improvement had been the only way in which Faitelowitz' invention had had practical commercial use, and that it was his position as "father of add-back" that conferred patentability on Volpertas' claims in suit.

The District Court's erroneous legal conclusion of non-infringement was apparently based on several different concepts. The errors appearing in Findings XV, XX, XXI, and XXIII and in Conclusions IV and VI may be paraphrased (99 R 104-115):

1. That the Volpertas claims in suit did not point out or distinctly claim his invention.
2. That the Volpertas specification does not disclose the invention asserted.
3. That the add-back method was not intended to be embraced within claims 3 or 7.
4. That by failing to prosecute his parent applications, Volpertas is estopped.
5. That by failing to include in his continuation-in-part application claims identical with his earlier ones, Volpertas is estopped.
6. That Volpertas abandoned his add-back invention.

Every one of these theories which the trial judge put forward as a principal basis for decision is a legal conclusion from

undisputed documentary evidence and therefore fully reviewable by this Court. Kwikset Locks v. Hillgren, supra.

2. Claiming the Invention

There is an undoubtedly unintended anomaly in the Memorandum Opinion. It well points up the dilemma of an attorney drawing claims for the immediate scrutiny of a Patent Examiner and the ultimate scrutiny of a Federal Judge. The trial judge had held the Faitelowitz patent not infringed because, presumably, it was too strictly specific to a supposed disclosure of a hot air drying method to cover add-back (99 R 104-105). He went on to hold Volpertas not infringed for the opposite reason. Volpertas had several closely related proposals. One, add-back, has proved extremely valuable and is in universal use, and is admittedly in use by defendant. The District Court has held that Volpertas' claim, which attempted to cover all of the Volpertas proposals and which the court did not find covered anything old, was ineffective to cover add-back because it did not set forth in so many words that one proposal (99 R 107-110). As we will later develop, Volpertas' claim 7 is literally infringed.

3. Disclosure of Add-back

The trial court found that no disclosure of the add-back process as such appears in the Volpertas patent (99 R 108, Finding XX). This is a clear error of documentary interpretation.

The patent in suit, Volpertas III, is a continuation-in-part of two earlier applications, Volpertas I and Volpertas II. Each in turn claimed priority based on an earlier foreign application.

Volpertas I was directed to the problem of case hardening

when using hot air initial drying (PX 2, I-45-97). Volpertas I proposed to do this drying entirely by heat and air flow while smearing the cooked potato against a moderately hot wall in a drying chamber then promptly scraping it off until a moist powder was formed.

Volpertas II is specifically directed to addback drying (PX 2, I-98-160). It gives a specific example of mixing 32 kg. cooked potato with 8 kg. of previously dried powder to produce a damp powder which is then finally dried. Carrying out part or all of this procedure under various degrees of vacuum is an additional feature of the process.

Volpertas III was a new application filed after the inventor came to the U.S. from Europe in 1941, drawn by a new attorney and combined the disclosure of the previous two applications. It is plaintiff's position that this application explicitly discloses a commercial addback procedure (PX 2, I-171-172) and that the trial court was clearly erroneous in interpreting its disclosure otherwise.

What the court did wrong was to hold that the passage relied on by plaintiff was merely an elaboration of the preceding coarse granule reclamation process. Plaintiff respectfully suggests the learned judge confused proximity of typographic location with proximity of subject matter.

Volpertas proposed several drying procedures, each to be carried out in a single container by performing the successive steps therein. In the last paragraph beginning on page 2 of his patent, Volpertas describes by way of example a continuous commercial operation for the production of dried powder.

We quote:

"In commercial practice, the result set forth in the previous paragraph may be attained in continuous

operation, by introducing the cooked potatoes, preferably in mashed condition, into the cylinder in which the final drying is effected. That is, as part of the dried potato powder is withdrawn from the vacuum cylinder, a larger volume of such moist potato mash is added thereto. By reason of the avidity of the dried powder in the vacuum cylinder for moisture, the latter spreads promptly from the moist mash throughout the dried potato mass, so that the water content of the entire mixture is about 50 per cent and the vigorous agitation and heat applied in the continued drying process as above set forth, will not render the potato mass gelatinous. In a specific illustrative example, assuming that the vacuum drying cylinder has 100 pounds of dried potato powder therein, with but 10 per cent water content, 100 pounds of the moist potato mash with say 70 per cent of water content could be added thereto after the withdrawal of 25 pounds of the dried potato powder. Thus, of the content of 175 pounds now in the cylinder, 77.5 pounds will be water and the rest solid, so that the water content is only about 45 per cent. That water content, as above noted, is sufficiently low to avoid gelatinization in the vigorous agitation required for further removal of water." (PX 2, I-171-172).

It is indisputable that this is a direction to leave 75 lbs. of the desired product, the dried powder, in the cylinder at the end of every cycle; to add to that powder 100 lbs. of cooked, mashed potato to be dried; to vigorously agitate and heat the resulting moist powder to produce the desired product, a powder of 10% moisture; to again leave 75 lbs. of this product in the cylinder, and so on in a continuous commercial process.

For some reason, the trial court interpreted the words "the result set forth in the previous paragraph" to mean, not "the [final] result" of "the desired powder" as plaintiff contends, but "the [intermediate] result" of a treatment of coarse dry grains. Since this treatment is described as a pressing together and a leaving undisturbed in a cool environment which is wholly incompatible with the commercial example given, the trial judge was clearly in error when he found that the Volpertas specification did not disclose add-back drying.

4. Claims 3 and 7 Include Add-Back

It will be observed that Claim 7 is literally infringed by defendant's use of the add-back process, for exactly the same reason that Faitelowitz claim 1 is, namely, the mechanism of partial drying. Volpertas' limitation (6) covers three improvements, including add-back, while excluding excessive mechanical pressure. The intermediate product of a moist powder is specified in step (d).

Volpertas proposes three variations of pre-drying the potato. First described (PX 2, I-41, col. 2, line 44ff) is vacuum pre-drying. The freshly cooked potatoes are left in the cooker which is sealed and the air and resulting vapor is evacuated as the potatoes cool. They are reduced a total of 45-55% of their weight under gentle stirring. The potatoes must not

be subjected to excessive agitation or pressure or the cells will break leaving an unpalatable glutinous pasty mass (PX 2, I-41, col. 1, line 30).

A second method of pre-drying is without vacuum under warm (50°C.) not necessarily completely dried air. The potatoes are constantly agitated but not subjected to a pressure which would burst the cells (PX 2, I-42, col. 1, line 14).

The third method of pre-drying is the add-back (PX 2, I-42, col. 2, line 55ff) proposal, in suit here, and dealt with in the earlier section (pp. 100-103).

The qeustion presented here is which one or more of these methods did Volpertas claim and protect in his patent? More precisely, the question is whether the third method, which defendant is using, is covered by claim 7.

The District Court found no infringement because defendant was not using step [b], p. 98, supra:

> "thereupon pre-drying the potato pieces in the absence of mechanical pressure until the initial weight of the potato mass has been reduced by about one-half due to the loss of water,"

which he erroneously found directed to the use of heat (99 R 110, Finding XXIII). But this limitation is clearly applicable to any one of the three methods of pre-drying explicityly disclosed by Volpertas. It requires only that the cells or granules be not so crushed that they rupture. Defendant is using the third method of pre-drying, add-back, disclosed by Volpertas and clearly there is no substantial cell rupture in either its mashing rolls or pug mill mixer.

There is then literal infringement of this step. Where then is the problem?

The trial judge seemed impressed by the fact there was no mention of add-back in this step. Clearly, for present purposes, a claim which specifically mentions and is limited to add-back would serve plaintiff's purposes as well.

It is not the law, however, that the patentee must claim a particular example of his invention. If in fact he does so, he is limited to that example and what he discloses, but does not claim, he dedicates to the public, The CornPlanter Patent, 23 Wall 181, 224 (U.S. 1874).

With the advantage of 20 years hindsight, it may well be possible for experts to look back and to commercially evaluate all of Volpertas' individual proposals. Perhaps today experts would rate his two proposals of add-back and cooling the most important because they are the most used. At the time it was not so obvious that one or the other of his proposals would be better than another. It is not the law that an inventor must guess at his peril the course the industry will take over the next twenty years.

The law is that the claims delimit the monopoly. If Volpertas was to protect all three methods of pre-drying, he must design a claim which specifically includes all three methods. It is the claim alone which measures the grant to a patentee. Stallman v. Casey Bearing Co., Inc., 244 F. 2d 905 (9 Cir. 1957). A claim is not to be narrowed by resort to the specification either to avoid invalidity or to avoid infringement. Graver Mfg. Co. v. Linde Co., 336 U.S. 271, 277 (1949), aff'd. with opinion on rehearing, 339 U.S. 605 (1950).

Here the plaintiff has no need to and does not seek to narrow

the claim to the add-back example. Defendant would very much like to, but is not permitted to, narrow the claim to either of the two other examples, hot air or vacuum pre-drying.

5. The Continuation-in-Part Filing of Itself Abandoned Nothing in Either Parent Application

In reviewing the prosecution of history of Volpertas I and II, it should be borne in mind that the inventor was in France when the applications were filed. As his attorney noted in his amendment of March 18, 1941 (PX 2, I-68), he was out of communication with either the inventor or the associate attorney due to the war.

What is also perfectly apparent from the record is that neither the attorney nor the Examiner understood the inventions. In Volpertas II the Examiner never did cite the Faitelowitz patent. Rather, he maintained (PX 2, I-120-122) that Volpertas' dry potato powder was the same substance disclosed by four patents dated respectively 1892, 1897, 1914 and 1916. The attorney was completely, if understandably, unaware that there was only one earlier patent which actually disclosed the Volpertas powder - Faitelowitz.

During 1941 Volpertas made his way out of France and reached New York. When he arrived here and reviewed the status of his applications, he decided to start over with a new application. The patent laws allow one to submit a new application claiming the priority of an older one for what both disclose. The present Patent Act of 1952, 35 U.S.C. § 120, is declaratory of the earlier decisional law on this point. This doctrine allows, with two qualifications, the resubmission of the same specification and claims with new arguments or the modification of either.

The first qualification is that the applications must be co-

pending. As of January 1, 1942, when Volpertas III was filed, this qualification was clearly met.

The second qualification, that the effect of res judicata is not overcome by a refiling, was strongly urged as applicable here. We readily agree that if there has been a final appellate decision, e.g., by the Board of Appeals, about a claim in the earlier application, any issue so decided is res judicata. But here there was no final appellate decision. The attorney had merely given notice of appeal (PX 2, I-71, 118). The Volpertas I and II applications were subsequently vested by the Alien Property Custodian because the Patent Office title records indicated Volpertas was an alien resident in France (PX 2, I-83, 142). In view of the actual presence of Volpertas in New York and of the filing of the continuation-in-part application, all parties, including the A. P. C. attorney (PX 2, I-87, 149) agreed to an abandonment of the Volpertas I and II applications.

What is important here is that there is no evidence of abandonment of any invention here involved. Volpertas had, as of January 1, 1942, a perfect right to carry over every one of his proposals into a new application, unprejudiced by any incident of prior prosecution. Examination of the Volpertas III application does show an abandonment of two of Volpertas' proposals, but the add-back of the dry powder product to cooked potatoes is not one of them. The Volpertas III specification does omit any mention of "crushing, disintegrating and scraping" described in Volpertas I. It also omits the add-back of dry powder to moist powder of Volpertas II. Neither method is involved here.

It is basic that to show an abandonment one must show both an intention to abandon and an affirmative act of relinguishment. Linscomb

v. Goodyear Tire & Rubber Co., 199 F. 2d 431 (8 Cir. 1952). Here the applicant did neither. He affirmatively claimed the priority of both applications and explicity disclosed an excellent example of the commercial add-back process.

6. No File Wrapper Estoppel

The District Court found that Volpertas had given up his add-back claims. The court postulated that Volpertas' experience showed him that such a claim would be rejected in view of existing patents (99 R 110, Finding XXIII). On the contrary, plaintiff will show that the evidence was exactly the opposite; that Volpertas did not give up claims broad enough to cover add-back and there was no art requiring him to do so. Thus, plaintiff submits, the court below was wrong in both his assumption and his conclusion.

The trial judge found (99 R 109) that Volpertas III was filed (January 1, 1942) about the same time that the add-back claims of Volpertas II were finally rejected. Actually, the only claims of Volpertas II ever finally rejected (on January 10, 1941) were Nos. 5-8 directed to mixing dry and damp powder, not dry powder and cooked potatoes (PX 2, I-117).

The court below also reasons that because there is a claim in the Volpertas patent specifically directed to add-back of dry powder for other purposes, these claims are not to be construed broadly enough to cover add-back for pre-drying. Claim 8, contrary to the court's statement (99 R 108), is however directed to add-back for pre-drying. Actually, it closely follows the commercial example in defining the add-back steps and would have been in suit here if it did not also define the manner of producing the initial batch of dried product to make up the ancestral add-back

powder. It is doubted if anybody can trace the ancestry of the first batch of product used as add-back by defendant; the record certainly does not.

7. Volpertas Never "Abandoned" Add-Back as an Invention

Perhaps the best evidence of the industry understanding of Volpertas' position in the art is Templeton's statement of it to Simplot in an annex accompanying his letter of March 8, 1949:

> "(a) Volpertas showed that by using the equivalent step of adding back the end product to the freshly boiled potatoes instead of preliminary drying by heat as suggested by Faitelowitz, the same result could be more easily obtained, that is to say, the mashed potato could be separated into the prerequisite damp powder much more quickly and less expensively and thereafterwards Volpertas' process was substantially the same as Faitelowitz; in short, he proposed a quickening of the first stage of the process." (PX 8, III-47-48).

8. The Affirmative Case for Infringement

The District Judge made no finding about defendant's use of the steps actually recited in claim 7 of the Volpertas patent. His holding of non-infringement is based solely on the various bases for his belief that that claim could not be interpreted to cover add-back. Let us examine what the claim does recite and compare it with defendant's process.

The first affirmative step of claim 7 is:

[a] cooking potato pieces in an environment of

steam at a temperature of substantially 100 degrees C.,

This the defendant clearly does (T. 77).

Limitations [b] and [d] are to pre-drying and formation of moist powder which are met by defendant's process for precisely the same reasons the parallel steps of the Faitelowitz claim already discussed are met.

A distinctive step of claim 7 is:

[d] cooling the potato mass,

The defendant cools before mixing for the precise purpose ascribed to this step by Volpertas (T. 81-83). This cooling hardens the cell walls and helps prevent rupture during the subsequent operations (PX 2, I-42, col. 1, lines 43-45).

There are three further steps in Volpertas' claim 7:

[e] drying the moist powder under moderate heat and stirring in vacuo, until the water content of the powdered potatoes is down to about 12 to 15 per cent,

[f] collecting the potato powder thus prepared to a substantial bulk and

[g] continuing the heating thereof until the water content is reduced to between 6 and 10 per cent.

These steps are accomplished successively in defendant's final drying operation. The moist powder is passed through a first drier which operates at a reduced pressure (T. 106-109) on an air-borne stream

of the product. It is then collected and transferred in a substantial bulk to a final fluidized bed drier where its water content is brought to the recited limit (T. 110).

For these reasons this Court should affirmatively find Claim 7 of Volpertas valid and infringed by appellee.

C. The Rivoche Patent

1. The Issue Presented

The Rivoche patent (PX 3, II-6-10) was the sole patent on which the Court ruled on the issue of validity. The court did not rule on infringement, apparently agreeing with plaintiff that there could be no question of the literal infringement of claim 16 (and by the defendant's process, claim 17 which is dependent on it).

The base claim in suit recites [typographically broken down for convenience of analysis]:

> "16. The method of preparing cooked starchy vegetable foodstuff, in readily-reconstitutable form, from a mass of the cooked vegetable, which comprises performing successively and in the order set forth, the steps of
>
> [a] thoroughly mixing the same with the same kind of dried and powdered vegetable foodstuff in amount to produce a resultant mixture containing not more than about 50% by weight of moisture, and
>
> [b] drying said resultant mixture to form the readily-reconstitutable product,

[c] said drying operation being carried out so as to preserve substantially the structure of the vegetable solids, including capillary properties thereof."

Rivoche was not the discoverer of the add-back process to produce potato granules per se; Volpertas was. Rivoche's contribution was in finding that the process would work commercially and would work well when sufficient dry powder was added-back to produce a damp powder with a moisture content invariably below 50%. The issue presented to that court and to this was whether the discovery of this admittedly valuable direction constituted invention.

The District Court correctly concluded (99 R 113) that the really pertinent prior art to Rivoche is found in the Faitelowitz and the Volpertas disclosures. The Court held correctly that Faitelowitz did not suggest the critical Rivoche limitation because, approaching the problem as he was without benefit of Volpertas' add-back discovery, he was more concerned with warning against excessive partial drying before a moist powder is produced. Faitelowitz stated in his claim 1 that his first stage drying should end and the production of the moist powder be brought about when the potatoes have lost "at the most about 60% by weight of their initial water content", i.e. when an 80% solids potato was down to about 50% moisture or a 75% potato was down to about 37.5% moisture.

The Court however went on to hold that Volpertas' teaching of drying until the potato weight had been reduced by about one-half, i.e. when an 80% solids potato was down to about 60% moisture or a 75% solids potato was down to about 50% moisture, would induce routine experimentation that would disclose the critical limitation found by Rivoche.

2. Presumption of Validity

The trial judge stated that he was mindful of the statutory presumption of validity (35 U. S. C. § 282), before going on to find Rivoche's patent obvious in view of a single reference, Volpertas. What the Judge did not state and undoubtedly did not realize was that he was finding the Rivoche patent invalid on a reference cited by the Patent Office in its own prosecution (PX 3, II-31). For this reason alone, the legal conclusion of invalidity is suspect. In this case the presumption of validity is doubly strong because the Rivoche claim 16 here in issue had been already allowed in its essential feature to Rendle, and the Patent Office, being fully informed of this fact, allowed it a second time to Rivoche, over Volpertas.

The rule in this situation was stated in A. M. P. Inc. v. Vaco Products Co., 280 F. 2d 518 (7 Cir. 1960):

> "It is well settled that where the alleged invalidity is based upon a patent which was before the Patent Office and was rejected [by it] as an anticipation of the invention the presumption of a novelty and invention is greatly strengthened." (Emphasis added)

Accord National Sponge Cushion Co. v. Rubber Corp., 286 F. 2d 731 (9 Cir. 1961).

3. The Volpertas Reference

The Court specifically held Rivoche obvious in view of a passage he quoted (99 R 113) from Volpertas' claim here in suit:

> "* * *until the initial weight of the potato mass has been reduced by about one-half due to the loss of water."

This passage is, of course, not prior art per se. It speaks only as of the application date for Volpertas III, January 1, 1942, while the Rivoche application was held by the Patent Office to be entitled to a priority date of September 16, 1939 (PX 3, II-96).

Essentially the same language does, however, appear in three* earlier Volpertas disclosures which are eligible prior art.

For that reason, plaintiff does not object to using the issued Volpertas text as the test of the anticipatory reference. What it does object to is the Judge's inconsistancy with respect to that language.

Either this language is appropriate to cover making moist powder by an add-back process or it is not. The District Judge held Volpertas non-infringed because that very language, in his view, neither claimed or disclosed add-back. Here he would hold Rivoche invalid because identical words do disclose that.

The Memorandum is therefore on its face self-contradictory and plaintiff is entitled to a reversal as a matter of logic as well as law of either one or the other of rulings.

To this extent plaintiff's present argument is frankly alternative. If this Court holds, as the District Judge did when considering Rivoche, that Volpertas' language disclosed add-back, plaintiff is willing to concede that holding Rivoche invalid is supportable. This clearly

* The first U.S. application (PX 2, I-48) bears a date of October 10, 1938 and is eligible under 35 U.S.C. § 102(e); an English patent (DX 17, I-152) and a French patent (DX 17, I-203) are eligible under 35 U.S.C. § 102(a), 104.

requires, however, a holding that Volpertas' language covered add-back and that, therefore, the defendant clearly infringed the claims of Volpertas.

4. The "Reverse" Proposal

Should this Court, however, hold as the District Judge did when considering Volpertas, that the language of Volpertas' claim 7 does cover add-back, it is clear that in no other eligible reference does Volpertas disclose the critical Rivoche limitation.

Plaintiff has always contended, defendant's counsel has admitted (T. 950), and the court below has stated (99 R 71), that Volpertas is the inventor and father of the add-back improvement on the Faitelowitz two-stage drying method. However, Volpertas specifically proposed in the French and British patents which are the only eligible Volpertas prior art references which relate to add-back (DX 17, I-156-196) adding 8 kilograms of dry powder to 32 kilograms of cooked potato. This means that, assuming the dry powder to have 10% moisture, as Volpertas assumes in his commercial example in the patent in suit, we would obtain a moist powder of 66% moisture with 80% solids potatoes, and of 62% moisture with 75% solids potatoes.

The Rivoche maximum of 50% moisture would require adding to 32 kg. cooked potato, not 8 kg. of powder but 24 kg. using 80% solids potatoes or 20 kg. using 75% solids potatoes.

This minimum increase of between 250 and 300% in powder is the invention of Rivoche and, not unexpectedly, from this wide change comes significant results.

5. Evidence of Improved Results

For years it has been accepted by the entire industry, defendant

included, that anywhere below 50% moisture in the moist powder produces a good commercial product and anything above 50% does not.

Plaintiff reminds this Court that Rivoche's date of invention was September 1939 (PX 3, II-96). His improvement was not a suggestion that came along after the powder had been commercially produced for years. His invention came before any commercial product and was, the evidence shows, essential to that commercial product.

Dr. Rivoche himself was the courier of the inventions to England. He met Mr. Templeton in September 1939 (T. 164), the same month he filed his British application. It was not until much later that British war production first produced the potato granules which incorporated his invention (T. 168).

During the war several things occurred which are relevant to the issue of the obviousness of Rivoche's proposal. First was that the British Government's Low Temperature Research Station cooperated with F. M. S. to set up a pilot plant to test these proposals at Dundee (T. 168). The second was that Rivoche returned to France in May 1940 where he was caught in the Blitzkreig and hid out in Vichy for the duration of the war. His various British patents did not issue, therefore, until 1948 (PX 3, II-121, 126).

With an understandable amount of wartime confusion, the British Army was unaware of the British Civil Government's work directly with the Rivoche process. Rivoche had visited the army and demonstrated his process. A report of this was as follows:

> "The powder appeared to have most of the desirable properties, i. e., it reconstituted easily, the flavour was good, it kept well and

> without gas packing, and the calorie/volume ratio was far in advance of any of the pre-war dehydrated vegetables. * * * M. Rivosche (sic) never divulged his process, and we were unable to get into touch with him after the fall of France."
> (PX 11, tab 40, III-296).

Volpertas' two British patents had issued in 1938 and 1940 respectively. Yet here we have an admission that the British Army was unable with these references before it to produce the change which the Judge, characterized as "adding very little, if anything, to the known art". (99 R 112).

A Mr. Barker of the above mentioned Low Temperature Research Station two years later proposed a non-add-back variant of the Faitelowitz system suggesting a moist powder range of 40 to 60% (DX 17, I-230). As this invention was made after Rivoche's, it is not prior art. It does support the validity of both Rivoche and Volpertas, however. It is their system, not Barker's, which the industry was shortly to adopt. However, neither the efficacy of add-back nor the importance of the 50% were apparent to Mr. Barker.

The reason this increase in powder was not obvious is that it would clearly reduce dryer capacity and in any case, it was thought it could not be done. It is, of course, clear that when dry powder is used as add-back, the potato cells which make up that powder and were once raw and wet, then cooked and wet, and finally were dried have to be remoistened and redried at least once. Workers in the art assumed that the repeated remoistening and redrying would rupture these cells. Volpert's initial proposal of 8 kg. powder to 32 kg. cooked potato which

was not per se commercially feasible and would barely work, required only one recycling of the average add-back cell. Rivoche required a minimum of three recyclings.

That is to say, Volpertas' specific proposal started with 8 kg. of powder, which at 10% moisture, contained 7.2 kg. of potato solids. The useful output, using even low solids (80%) potatoes from the addition of 32 kg. of cooked potatoes would be only 6.4 kg. of potato solids. Hence about half the total solids in the initial mix would come out as product and the other half would get a second cycle of moistening and drying. Another way of stating this is to say that the average Volpertas cell got two moistenings and dryings. With Rivoche's proposal also starting with 32 kg. of cooked potatoes to be dried, even high solids (75%) potatoes would yields only 8 kg. of potato solids as product and would require 20 kg. of dry powder as add-back to produce this result. Hence about a third of the total solids in the initial mix would come out as product and the other two-thirds would be recycled. Another way of stating this is to say that the average Rivoche cell got a minimum of three and one-half moistenings and dryings.

Greene in 1947 pointed out that a problem of the add-back process was that it decreased the capacity of a dryer (PX 11, III-285, tab 28). The Volpertas two-pass recycling would cut the capacity 50%. The Rivoche minimum triple recycling would decrease the capacity at least 75%.

Mr. Templeton at trial pointed out another well-known obstacle to lowering the moisture content. The constant rewetting and redrying of a single granule tends to increase both the cost of drying and the probability of cell damage (T. 1593).

Thus we have men skilled in the art attempting to improve on the Volpertas add-back proposal. With the benefit of hindsight, we know how simple the final solution was -- increase the seed 250-300%. However, these men "knew" that this would merely decrease capacity, increase costs, and increase the chance for cell rupture. Instead they proposed to abandon the add-back altogether and turned to "brush-seive" (Barker) or "freeze-squeeze" (Rendle and Greene).

6. A Meritorious Improvement

Plaintiff asserts that it has brought its case for Rivoche within the ruling of Twentier's Research Inc. v. Hollister Inc., 319 F. 2d 898 (9 Cir. 1963):

> "It is not difficult to discern the foregoing indicia of invention in the present patent... it works. None of the prior devices did." (Emphasis Court's).

Nor are improvements otherwise less favored in the courts than basic inventions. The Supreme Court said in Eibel Process Co. v. Paper Co., 261 U.S. 45, 63 (1923):

> "Indeed, when one notes the crude workings of machines of famous pioneer inventions and discoveries, and compares them with the modern machines and processes exemplifying the principle of the pioneer discovery one hesitates in division of credit between the original inventor and improvers; and certainly finds no reason to withhold from the really meritorious improver the application of the rule ut res magis valeat quam pereat."

7. Conclusion

For the foregoing reasons, plaintiff is confident this Court will find the Rivoche patent valid and reverse the judgment of the Court below on this ground on this count. Additionally, plaintiff feels this Court on the evidence before it must find Rivoche claim 16 literally infringed by the defendant's undisputed process.

CONCLUSION

A. No. 18900: This Court should direct the entry of a judgment that DEFENDANT has BREACHED AN ENFORCEABLE AGREEMENT and should ACCOUNT TO PLAINTIFF for its damages.

B. No. 18899: This Court should direct the entry of a judgment that CLAIM 1 OF FAITELOWITZ, CLAIM 7 OF VOLPERTAS, AND CLAIM 16 OF RIVOCHE ARE VALID and have been INFRINGED and that DEFENDANT should ACCOUNT TO PLAINTIFF for its damages not covered by damages collectible in the contract case.

Respectfully submitted,

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Washington, D. C.
February 10, 1964

Certificate of Compliance

I certify that, in connection with the preparation of this Brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing Brief is in full compliance with those rules.

W. Brown Morton, Jr.

Certificate of Service

Counsel for appellee have been served with the foregoing Brief by delivery of two copies to the offices of Beale & Jones, 425 Thirteenth Street, N. W., Washington, D. C. and by mailing of two copies to the offices of Hawley & Hawley, 610 Eastman Building, Boise, Idaho, on February 10, 1964.

W. Brown Morton, Jr.

APPENDIX

Specified Error 1. The District Court erred in concluding that the Faitelowitz patent had not been infringed.

The Findings of Fact particularly involved are:

XV (99 R 104), XVI (99 R 104), and XVII (99 R 105).

The Conclusions of Law particularly involved are:

II (99 R 114) and III (99 R 114).

[Errors indicated by underlining or otherwise noted.]

XV.

The Court finds that the Faitelowitz and Volpertas patents in suit are most susceptible of disposition on the ground of non-infringement, for defendant's process clearly does not infringe any of the claims of either of said patents.

XVI.

Plaintiff accuses defendant of infringement of claims 1, 2, 4, 5, 6, 7 and 8 of the Faitelowitz patent. These claims are accurately set forth in Plaintiff's Exhibit No. 1. Although the claims of a patent are the sole measure of the grant and the means by which infringement is to be determined, plaintiff did not attempt to make any comparison, between the accused process and the claims in suit, at the trial or in plaintiff's written briefs. This oversight is justified only by the fact that no significant comparison exists. Each of the claims of the Faitelowitz patent, other than claim 1, is dependent on claim 1 thereof. Each of the claims in suit covers a process in which the all-important initial drying stage is performed on small cut pieces of cooked vegetable and is accomplished

by means of heat which must not substantially exceed 100 degrees C.* In comparing defendant's process with the Faitelowitz claims, it is obvious that defendant accomplishes the predrying stage by using the add-back method which does not involve, and is contrary to, the method employed by Faitelowitz. Add-back is the later improvement attributed to Volpertas and is not suggested by Faitelowitz. Plaintiff urges that the doctrine of equivalents is applicable, but did not attempt to apply the doctrine at the trial or in written briefs. The Faitelowitz claims cannot be construed by any reasonable application of said doctrine to cover the defendant's process. The existing evidence clearly supports a finding of non-infringement with respect to each and every claim of the Faitelowitz patent in suit, and the Court so finds.

XVII.

Plaintiff's main contention is that the defendant's process utilizes the Faitelowitz principle** and thus infringes the patent. According to plaintiff's expert witness, Templeton, this principle is that: "the potato cells, within which are enclosed the starch grains, may, after cooking, be separated without injury to the membrane of the cells after a partial drying and before final drying." (T 204) In the first instance, it has been recognized that one cannot patent a principle.** Secondly, the evidence convincingly demonstrates that Faitelowitz did not disclose a

* It is true that each of the Faitelowitz claims covers such a process; it is not true that any is infringed only by such a process.

**The true legal consequences of the semantics involved in these several uses of the term "principle" are thoroughly covered in the foregoing Brief.

practical process for putting that principle* to use. Templeton admits that the Faitelowitz process has never been used for a commercial operation anywhere in the world. It took the add-back suggestion of Volpertas to put the so-called Faitelowitz principle* into actual operation, and this departure from the Faitelowitz process is a distinguishing feature of most of the processes used in the industry, including defendant's process. The plaintiff has failed to sustain its burden of proving that defendant's process infringes any of the claims of the Faitelowitz patent.

II.

Claims 1, 2, 4, 5, 6, 7 and 8, and each of them, of U.S. Patent 2,119,155 have not been and are not infringed, by defendant.

III.

Claims 1, 2, 4, 5, 6, 7 and 8, and each of them, of U.S. Patent 2,119,155 cannot be construed by application of the doctrine of equivalents, or otherwise, to cover defendant's processes.

Specified Error 2. The District Court erred in concluding that the Volpertas patent had not been infringed.

The Findings of Fact particularly involved are:

XV (99 R 104), XX (99 R 107), XXI (99 R 108), and XXIII (99 R 109).

The Conclusions of Law particularly involved are:

IV (99 R 114) and VI (99 R 114).

[Errors indicated by underlining or otherwise noted.]

* The true legal consequences of the semantics involved in these several uses of the term "principle" are thoroughly covered in the foregoing Brief.

XV.

The Court finds that the Faitelowitz and Volpertas patents in suit are most susceptible of disposition on the ground of non-infringement, for defendant's process clearly does not infringe any of the claims of either of said patents.

XX.

Section 112, Title 35, U.S.C.A., of the Patent Laws of the United States, and its predecessor, compel an applicant for a patent to conclude his application with "one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention" after first having set forth in the specification the "best mode contemplated by the inventor of carrying out his invention." Neither of the claims 3 and 7 of the Volpertas patent points out nor distinctly claims the add-back method. Said claims refer only to "pre-drying the potato pieces in the absence of mechanical pressure" to reduce the moisture content of the cooked potato pieces in the first stage of the process. Other than this, the method used to accomplish pre-drying is not specified in the claims in suit. Resorting to the specifications which are supposed to show the inventor's best mode for carrying out his process, the Court finds that the Volpertas pre-drying is to be accomplished by heat.* This method is referred to on several occasions in the patent. Thereafter, Volpertas explains that if his process, using heat for pre-drying, is carried on in an ideal manner, no coarse particles should appear in the potato powder. However, he elaborates, that if there are

* In one Volpertas process this is true, but not of the Volpertas "commercial" example.

some coarse particles, the same may be reclaimed by softening them by the add-back method. Then it is stated that: "In commercial practice, the result set forth in the previous paragraph" (reclaiming the coarse particles by add-back) "may be attained in continuous operation" and he goes on to illustrate such reclaiming by add-back. (Plaintiff's Exhibit No. 2.) In view of this disclosure in the specification, plaintiff argues that claims 3 and 7 include the add-back method or step and that defendant's process is equivalent to said claims in all respects. However, it should be noted that Volpertas specifically claimed an add-back step in claims 5 and 8 of his patent which claims are not in suit. In claims 5 and 8 said step is used at other stages in the process, and not for the purpose of pre-drying the cooked potato pieces in the first instance.

XXI.

The Court believes that the reason Volpertas did not expressly claim the add-back method for accomplishing pre-drying in the claims in suit is quite obvious from an examination of the patent's file wrapper history. Defendant urges that said examination be made to support its contention that plaintiff is estopped from including the add-back method in claims 3 and 7 on the ground of file wrapper estoppel. The evidence supports the finding of file wrapper estoppel against Volpertas and plaintiff with respect to each of his claims 3 and 7 in suit.

XXIII.

Under the circumstances set forth in paragraph XXII, above, the Court finds that Volpertas abandoned his claims to the add-back method for the different process covered by the claims in suit. The evidence reveals that he abandoned add-back because his experience

with his prior copending application taught him that such a claim would be rejected in view of prior patents. The method which Volpertas did claim*, in his patent in suit, is pre-drying the cooked potato pieces by the first stage of his operation by the use of heat which is plainly disclosed by his specification. The Volpertas method covered in the claims in suit cannot be construed to be in any manner equivalent to the add-back method as used by the defendant. Accordingly, the Court finds that the defendant has clearly not infringed claims 3 and 7 of the Volpertas patent.

IV.

Claims 3 and 7, and each of them, of U.S. Patent 2,352,670, have not been and are not infringed, by defendant.

VI.

Claims 3 and 7, and each of them, of U.S. Patent 2,352,670 cannot be construed to cover defendant's processes or the add-back method by application of the doctrine of equivalents, or otherwise, and because the patentee Volpertas deprived himself of the opportunity to invoke the doctrine of equivalents by his own file history estoppel.

Specified Error 3. The Court erred in concluding that the Rivoche patent was invalid.

The Findings of Fact particularly involved are:

XXVIII (99 R 112) and XIX (99 R 113).

* Volpertas did, of course, cover this method in his claims in suit, but he did not thereby exclude defendant's process.

The Conclusion of Law particularly involved is:

V (99 R 114).

[Errors indicated by underlining or otherwise noted.]

XXVIII.

The evidence reveals that Rivoche's contribution to the art of processing an instant mashed potato covered in claims 16 and 17 added very little, if anything, to the known art. Defendant cites several foreign and United States prior patents in addition to those of Volpertas and Faitelowitz to support its contentions that Rivoche contributed nothing which could be called an invention. However, said patents concern processes for making products other than mashed potato powder. The most pertinent prior art is that disclosed by the patents of Faitelowitz and Volpertas. These patents show that Rivoche was not the first to determine a probable point of departure between the first and second stage drying operations. Faitelowitz teaches that the cooked potatoes should be first dried until they have "lost at the most about 60% by weight of their initial water-content". Volpertas said, "until the initial weight of the potato mass has been reduced by about one-half due to the loss of water." Rivoche's alleged improvement is the direction to dry the potatoes down to the point where they contain "not more than about 50%" moisture. The Court believes that Faitelowitz' teaching might exclude experimentation beyond the point stated, but that Volpertas suggests experimentation in order to find the optimum point of departure between the two drying stages. Rivoche does nothing more than teach a minimum point of departure, leaving the optimum for experimentation. The defendant has been able to obtain an acceptable product by drying the cooked potatoes down to the percentages specified

by all of the patents, but has, as the Court believes one skilled in the art would have, experimented to find the optimum point of departure as is suggested by Volpertas. Therefore, the Court is of the opinion that Rivoche's alleged improvement over Volpertas, is as contended by defendant, not inventive.

XXIX.

The Court finds that claims 16 and 17 of the Rivoche patent in suit are each non-inventive and invalid. Under these circumstances, the issue of infringement of said claims for other reasons is academic as are the other defenses urged by the defendant.

V.

Claims 16 and 17, and each of them, of U.S. Patent 2,520,891 are invalid.

Specified Error 4. The Court erred in concluding that the parties had not entered into a relationship the breach of which by defendant gave rise to an enforceable claim for damages.

Specified Error 5. The Court erred in concluding that the so-called "contract" action had been barred by laches and the Statute of Limitations.

The Findings of Fact particularly involved are:

VII (00 R 46), VIII (00 R 46), XI (00 R 49), and XII (00 R 50).

The Conclusions of Law particularly involved are:

II (00 R 51), III (00 R 51), IV (00 R 51), and V (00 R 51).

[Errors indicated by underlining or otherwise noted.]

VII.

The testimony of the parties being in substantial conflict, and of necessity somewhat vague because of the lapse of time since the initial negotiations in 1949, the Court finds the most credible evidence concerning the dealings and negotiations between the parties looking to some contractual agreement is found in chronological order in the correspondence between them, Plaintiff's Exhibit No. 8. The Court finds from the evidence that the plaintiff has failed to sustain the burden of proof incumbent upon it to establish a contract existed between the parties.

VIII.

No express contract, either oral or in writing, was ever entered into between the parties. The record shows only an indefinite and general understanding as to what their arrangements should be for the development and production of an instant mashed potato product for sale in the United States. Under the broad outline, plaintiff would grant defendant an exclusive license for the use of the Faitelowitz, Volpertas and Rivoche processes and would assist defendant in establishing its operation in exchange for a royalty based on production. Any agreement, however, was at all times subject to the approval of defendant's legal counsel, which, as events transpired, was never received, and thus prevented the parties from reaching a meeting of minds on the terms of an agreement.

Two main areas of conflict developed between the parties in their unsuccessful attempts to reach an agreement. The first involved the plaintiff's alleged ownership of the patents in question. The record

shows that in April, 1949, plaintiff's predecessor acquired the Volpertas patent, and the Rivoche application owned by the plaintiff's predecessor was still pending. The Faitelowitz patent was and had been since 1943 the property of the Alien Property Custodian, and 75% of it had been assigned by Faitelowitz to one Marcos Bunimovitch in 1938. Plaintiff did not cure these defects in its title to the Faitelowitz patent until long after negotiations between the parties had terminated. Secondly, the defendant's patent counsel emphatically objected to the validity of the patents* and though importuned by Templeton and his patent counsel to take a position otherwise, defendant's counsel remained adamant in his legal position.

The first of the proposed formal agreements, in writing, was prepared by plaintiff's counsel and forwarded to the defendant on March 28, 1949. Defendant's counsel immediately raised the validity of the patents and the agreement was not signed. The parties, however, continued to negotiate on the assumption that the legal problems might be resolved, and Templeton encouraged the defendant to continue with its experiments. By October 12, 1949, the parties had reached no agreement, and at that time Templeton by letter advised the defendant that he would terminate negotiations unless the parties came to terms and at that time requested reimbursement of half of the traveling expenses and attorney's fees incurred. Defendant denied any obligation in connection

* Correspondence between defendant and its patent counsel was withheld from discovery on the ground of privilege. Moreover, the same counsel was also defendant's trial counsel and no statement of his actual advice was ever made of record herein.

with this reimbursement but did, however, forward on December 16, 1949, a proposed written agreement from its counsel substantially* differing from the initial proposal of the plaintiff. This agreement went unsigned on advice of plaintiff's counsel. Thereafter, plaintiff sought to license other producers in the United States and appointed an agent in this country to negotiate with defendant and others in this respect.

Defendant went into full production in 1951, without there being at that time any agreement between the parties. Plaintiff had full knowledge of this, but took no action to prevent defendant's use of the processes in question nor to recover any compensation for technical information which it had furnished to the defendant. Plaintiff, instead, concentrated on attempting to still obtain some form of a contract between the parties, and on August 18, 1951, proposed an agreement based solely on the Volpertas and Rivoche patents. Defendant would come to no terms on this. The last serious effort between the parties to negotiate some form of agreement occurred in June of 1952 at a conference between representatives of the parties, but likewise nothing came of this. Defendant continued to produce the instant mash potato powder and by 1954 had united with other producers in a joint defense against any legal action which might be taken against them. (Letter of May 4, 1954.) The plaintiff threatened such action, but none was forthcoming

* Most of the terms of these two formal agreements were the same, but in respect of defendant's obligation to commence payment of a minimum royalty, the terms proposed by defendant's counsel constituted so overreaching a departure from the oral understanding underlying it as to be unacceptable.

until in 1959 when its patent infringement action against the defendant was filed and this action was instituted a year later.

XI.

The Court finding that no express oral contract resulted from the negotiations of the parties, the cause of action for breach of contract accrued at the latest when the defendant went into production in 1951, and not as the plaintiff contends in 1956 when it received back from the Alien Property Custodian the Faitelowitz patent. The record further shows, without question, that by the year 1954 the defendant was openly and publicly critical of plaintiff's attempts to license other producers under the three patents involved and that such attitude was within the full knowledge of the plaintiff, the only conclusion to be reached being that defendant had no intention of reaching any agreement under which it would pay royalties to the plaintiff. Thus, if plaintiff was lulled into a sense of security as plaintiff contends, because of defendant's willingness to negotiate, which the Court does not find to be the fact, plaintiff's cause of action on any basis as set forth in its complaint would have accrued by 1954 at the very latest. The negotiations between the parties, though extended over a long period of time, never assumed the status of a contract; and not only did there exist no meeting of the minds, but the record in fact discloses the parties in complete discord on the very essence of any agreement, since the defendant at all times questioned the validity of the patents and the plaintiff's ownership thereof and the plaintiff at all times would under no conditions agree to the minimum royalty which defendant agreed it reluctantly would pay under all of the circumstances. That the negotiations continued

for such an extended period can be credited only to Templeton's perserverance and unwillingness to pursue any other remedies.

XII.

An action on an oral contract must be instituted within four years after the cause of action accrues. Section 5-217, Idaho Code. Plaintiff's action alleging an oral agreement between the parties therefore is barred under the Statute of Limitations. An agreement implied in law where benefits are conferred by one to another under circumstances which in equity and good conscience should not be retained without payment therefor likewise must be instituted within four years after such action accrues. Section 5-217, Idaho Code. Any action on the basis of an implied or quasi agreement between the parties having accrued in no event not later than the year 1954, such action likewise is barred by the Statute of Limitations above cited.

II.

That no express contract, either oral or in writing, was ever entered into by and between the parties.

III.

That no contract may be implied in law between the parties.

IV.

That by failing to institute suit against the defendant until February 1, 1960, the plaintiff is guilty of laches, barring its recovery in this action.

V.

That the Statute of Limitations of the State of Idaho, Section 5-217, Idaho Code, operates as a bar to this action by the plaintiff, either on its theory of an express, oral contract or a contract implied in law.

LIST OF EXHIBITS

Exhibit	Description	Offered	Admitted
1	Faitelowitz Patent	10	11
2.	Volpertas Patent	15	16
3.	Rivoche Patent	18	18
4.	Title to Patents	23	28
5.	Report	42	46
6.	Chart	47	49
7.	Equipment List	126	127
8.	Correspondence	175	177
9.	Letter - 3/16/49	194	195
10.	Handwritten Notes	194	196
11.	From Harrington and Olson Deposition	257	285
12.	Paddle Mixer Drawing	365	368
13.	Photographs (3)	366	368
14.	Flow Sheet	387	387
15.	Agreement	686	686
16.	Assignments	690	691
17.	Patents	692	1026
18.	Application	758	758
19a.	Drawing	802	
19b.	Drawing	802	
20.	Order	830	
21.	Chart	885	
22.	Deed (From V&R)	919	920
23.	Assignment	943	943
24.	Samples (2)	944	

Exhibit	Description	Offered	Admitted
25.	Microphotographs (4)	960	960
26.	Report (Kueneman)	975	993
27.	Letter (4/10/43)	978	
28a.	Sketch	981	983
28b.	Sketch	981	983
28c.	Sketch	981	983
29a-g.	Kueneman Notes	1010	1013
30.	Volpert Patent (foreign)	1020	
31.	Rivoche Patent (foreign)	1020	
32.	Book-Food Technology	1030	1030
33.	Correspondence	1047	1047
34.	Patents	1047	1048
35.	Draft Report	1050	1053
36.	Notes	1050	1053
37.	Notes	1050	1053
38.	Charts	1176	1177
39.	Push Final Specimen	1358	1358
40.	Pull Final Specimen	1358	1358
41.	1961-62 Product	1358	1358
42.	1951 Product	1358	1358
43.	Simplot News	1396	1397
44.	Patent Book	1437	1446
45.	Assignment 12/8/59	1444	1445
46.	Assignment 10/11/61	1444	1445
47a.	Intre Partes Test	1454	1454
47b.	Photographs (21)	1454	1454

Exhibit	Description	Offered	Admitted
48	Shelly Procedures	1475	1475
49a-e.	Notes & Drawings (Blabe)	1487	1487

ANNOTATED "HEADS" SENT BY TEMPLETON TO TROXELL IN DEC. 1949

HEADS OF AGREEMENT between J. R. Simplott Company, Boise, U.S.A., and The Farmers' Marketing & Supply Co. Ltd., London, England.

F.M.S. Company are exclusive licensees and/or assignees and/or owners of various U.S.A. letters patent and/or applications therefor relating to the product of mashed potato powder -- a dried powder made from cooked potatoes -- in which the cellular structures are substantially undamaged by the special processes of treatment described in the letters patent referred to, which are:

No. 2119155 to Arnold Faitelowitz, issued 31st May, 1938.
Application date: 3rd June, 1937.

No. 352670 to Z. Volpertas, issued 4th July, 1944.
Application date: 1st January, 1942.

No. 4533 (application) by E. Rivoche, filed 27th January, 1948.

NOTE: For priority purposes, it must be appreciated that Faitelowitz dates from 1936, Volpertas from 1938 and Rivoche from 1939. Delay in their applications for grant in the U.S.A. was occasioned by war circumstances.

F.M.S. propose to form a subsidiary company -- F.M.S. (America) Inc. -- transferring thereto all their rights and obligations under these Heads of Agreement.

1. F.M.S. undertakes to the Simplott Company:

(a) To grant licenses to manufacture and sell under the said letters patent and all improvements arising therefrom during the continuance of this agreement.

(b) To provide at all times the full technical information within its knowledge and experience now or later during the continuance of this agreement.

(c) To give access to its own factories, laboratories and records to accredited representatives of the Simplott Company.

(d) To give active cooperation in the first stage of necessary laboratory work in selecting the process -- within the patented range -- most suitable for Idaho potatoes and for the adaptation of the machinery now available within the Simplott organization.

(e) To give advice on choice of plant for second stage of commercial production and to arrange for visit of a competent representative before or at the point of start-up of commercial production.

(f) To accept all liabilities which may arise in connection with infringement of other letters patent, always providing such guarantee is limited to the operation of the process or processes arising from Clauses No. 1 to 4 hereabove, that is to say, according to the advice and within the knowledge of the F.M.S. Company.

(h) To withhold from granting any other licenses in the U.S.A. under the said letters patent or improvements thereupon, except with the consent of the Simplott Company unless the quantities of production and sale which follow fall below the quantities referred to under Clause 3(a) below.

2. The Simplott Company undertakes to F.M.S.:

(a) to give its best endeavours to promote the prompt manufacture and the expanding application of the inventions in production and sale.

(b) To provide active cooperation in the first stage of laboratory work for selection of the process or processes -- within the patented range -- most suitable for Idaho potatoes and for the adaptation of machinery now within the Simplott organization.

(c) To give facilities for trial runs necessary for the adaption of the existing plant or modified plant with a view to setting up commercial operation by August 1949.

(d) To agree qualitative standards with the F.M.S. Company for each of the three anticipated markets, viz.,

(i) Bulk purchases by the armed services or departments of the government.

139

(ii) Bulk purchases by institutions.

(iii) Domestic purchases by individual consumers (the packetted trade).

and to cooperate with the F.M.S. Company in maintaining production and sales policy based upon adherence to such standards.

(f) To advise the F.M.S. Company of any improvements which may arise in the course of its manufacturing operations and to afford such information as may be necessary to enable the F.M.S. Company to protect such improvements.

(g) To pay royalties upon sales quarterly in amounts approximating to the dues arising at the rates of percentage hereafter described, such rates to be calculated on the wholesale prices ex factory of production less reasonable brokerage actually paid out, less reasonable costs of pack:

Quantities up to 2,500 tons	4%
2,501 tons to 5,000 tons	3%
5,001 tons to 10,000 tons	2%

Mr Simplott prefers 2½% on the price including pack - I agree. Or he can have 3% of price less cost of pack. AB

(h) Always provided that if a new patented process arises which the F.M.S. Company are unable to restrain or control as an infringement of the said letters patent or improvements thereupon, or if a new non-patented process arises, the foregoing rates of royalty on demand from the Simplott Company shall be reviewed and revised by joint agreement or, if there shall be dispute between the parties, the extent of such dispute shall be communicated to arbitration and the arbitrator's decision accepted as final.

3. (a) The tonnages which are to exclude and withhold the granting of any other license in the U.S.A. without the consent of the Simplott Company are:

1st year	1,000 tons	)
2nd year	2,500 tons	) Years to be
3rd year	5,000 tons	) 1st August to
5th year	7,500 tons	) 31st July
7th year	10,000 tons	)

provided the Simplott Company shall have the right in respect of the first two years, that is to say, the years ending 31st July 1950 and 31st July 1951, whether or not the quantities of 1,000 and 2,500 tons (hereabove) which have been manufactured and sold, to require the F.M.S. Company to continue to withhold the issue of any other license in the U.S.A. by the remission of the following cash payments:

For the first of the two years: $6,000.00 in quarterly amounts of $1,500.00.

For the second of the two years: ~~$20,000~~ 16.000.00 in

was I think agreed as

(b) In any event, licenses to the Simplott Company shall continue for the period of the longest patent and in the event that the foregoing figures (3a) shall not be realized and the right of the F.M.S. Company to license others shall be exercised, still the license to the Simplott Company shall continue for manufacture in the Caldwell-Boise area of Idaho for as long as reasonable quantities shall be manufactured therein.

(c) Termination clause to be the customary clause in such a case.

_____ _____

DATED at

this day of 1949

141

COPY OF HAND WRITTEN LETTER OF TRANSMITTAL
WITH ANNOTATED HEADS OF AGREEMENT

105 LaSalle, Chicago

7/12/49

Dear Mr. Troxell:

I was glad to speak with you and I enclose spare copy of the basis originally come to during my visit last winter.

My notes thereon are self explanatory.

My language is not legal Mr. Edmunds submitted a legal draft. The points remain - the original draft may be best for our present purpose.

Subject the amendments which I understand Mr. Simplott and I wish to sign a contract to these effects and to get to work.

Clearly this means he and I will proceed on the assumption that the two granted patents are valid and that the application when granted will be valid, and we will further assume we have good protection unless events prove otherwise in which event as has always been provided Mr. Simplotts obligations are modified accordingly.

The principal ground for our belief is that a substantial challenge has been made and successfully rebutted in the U. K., and I am confident a similarly strong position can be held here.

COPY OF HAND WRITTEN LETTER OF TRANSMITTAL
WITH ANNOTATED HEADS OF AGREEMENT (Continued)

I think Mr. Simplott ought to agree to pay the deficiency or exclusion payment of $3000 due up to December. I have spend over $3000 on search and inquiry to strengthen the patent position and a much larger sum in travelling time etc. Some of it at Mr. Simplotts specific suggestion, and if this is agreed I would appreciate payment of the first $1500 to Messrs Peat Marwick Mitchell 105 LaSalle Chicago, Ill. who are my companies financial agents, as soon as possible.

Yours sincerely,

/s/ Robert Templeton

I shall be at Burlington Hotel Washington between 2 and 4 pm. Washington time, and I hope then to hear from you.